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# THIRTY-NINTH BIENNIAL REPORT

FROM THE

# OFFICE OF STATE TAX COMMISSIONER

## HEIDI HEITKAMP

TO THE

## Governor and the Office of Management and Budget

# STATE OF NORTH DAKOTA

For the Biennial Period July 1, 1987 to June 30, 1989

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COMMISSIONER

December 1, 1989

To: The Honorable George A. Sinner, Governor
Mr. Richard Rayl, Director of Office of Management and Budget

It is with great pleasure that I submit for your consideration the Thirty-ninth Biennial Report of the Tax Commissioner.

The report covers the operations of the Office of State Tax Commissioner for the period July 1, 1987, through June 30, 1989, and is submitted pursuant to Sections 54-06-04 and 57-01-02 of the North Dakota Century Code.

Sincerely,

Heidi Heitkamp
North Dakota Tax Commissioner

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This report was prepared by Tax Commissioner Heidi Heitkamp with the assistance of staff members Maureen Gerl, Gretchen Ryan and Kathryn L. Strombeck.

# SUMMARY OF TAX DEPARTMENT EFFORTS TO IMPROVE SERVICE AND PRODUCTIVITY

During the 1987-89 biennium, the State of North Dakota continued to be plagued by many of the same economic problems of the previous biennium. The severe drought of 1988 compounded the problems facing individuals, business, and government. The 1989 Legislature passed increases in income and sales taxes as well as motor fuels tax to fund the services and programs necessary for the citizens of the State. However, referral petitions were filed relating to all three of the tax rate increases and prevented the motor fuels tax from taking effect. The sales and income tax increases remained in place because they were emergency measures. All three rate increases were rejected by North Dakota voters in a special election on December 5, 1989.

The following is a summary of activities undertaken during the 1987-89 biennium by the Tax Department.

## AUDIT RESULTS

During the 1987-89 biennium, the Tax Department collected $33.3 million in audit related revenue.

Once again, corporate income tax audit collections led the totals of the audit program. The corporate income tax section's total collections were $18.7 million, exceeding the previous biennium by $2.8 million. Audit and compliance activity also produced $7.3 million in sales tax revenue, $4.8 million in oil and gas tax revenue, and $2.5 million in individual income tax revenue.

The continued achievements in audit activity reflect a highly efficient program of audit selection and a significant effort by the Department's audit staff.

## STATE AUDITOR'S REPORT

On December 9, 1988, the State Auditor's Office completed its examination for the years ending June 30, 1987 and 1988. Once again, the Tax Department received an unqualified opinion and there were no formal recommendations for changes in Tax Department operations in the Auditor's Report for fiscal years 1987 and 1988.

## THE FAIR SHARE PROGRAM

The Fair Share Program began in 1983, when the Legislature enacted into law a proposal by Tax Commissioner Kent Conrad to better enforce compliance and enhance revenue collections. The 1983 Legislature appropriated $960,000 for additional audit and support positions, as well as travel money. For that expenditure, the Tax Department promised a return of $10 million in increased tax collections.

The success of this program has resulted in continued funding. During the 1987-89 biennium, Fair Share collections resulted in more than $12.1 million, which is $2 million over the biennial goal.

## SPIEGEL, INC.

In April, 1989, with the settlement of North Dakota v. Spiegel, Inc., the North Dakota Tax Department won a significant victory for all states in its effort to collect sales tax from mail order retailers.

In the case of National Bellas Hess v. Illinois Department of Revenue, the Supreme Court ruled in 1967 that out-of-state direct marketers and border sellers are not obligated to collect sales or use taxes from buyers and remit the revenue to the purchaser's home state. During the years which have ensued there has been an explosion in the number of out-of-state firms who are direct marketers or border sellers.

The increase in these sales erodes the tax base and threatens the future of Main Street retailers. Although consumers who buy from out-of-state businesses are legally liable for use taxes, collection costs would be excessive. Therefore, revenue agencies must rely on consumers to voluntarily comply with the law and pay the tax.

In recognition of the problem, the 1987 North Dakota Legislative Assembly adopted legislation which expanded the states sales and use tax jurisdiction to include direct marketers.

In the first court action brought to enforce that law, the North Dakota Tax Department filed an action in district court in July 1988 requesting the court to declare that Spiegel, Inc., must obtain a North Dakota sales and use tax permit and collect and remit state use taxes on sales made into North Dakota.

On April 25, 1989 Commissioner Heidi Heitkamp announced that Spiegel, Inc., had agreed to an out-of-court settlement of the lawsuit. Spiegel agreed to register as an out-of-state retailer and to collect and remit state use tax in North Dakota beginning no later than the end of 1989. Subsequent to that settlement Spiegel agreed to collect use tax in all states.

This agreement is an important step forward in the states' efforts to require out-of-state direct marketing firms to collect and remit use taxes. In the coming biennium the North Dakota Tax Department will continue to pursue registration and compliance from other direct marketers doing business in North Dakota. In that pursuit, Commissioner Heitkamp announced on July 21, 1989 that the Tax Department had filed an action in district court asking the court to declare that Quill Corporation, which markets office supplies, equipment and furniture, must collect and remit use tax on sales made in North Dakota. If this litigation is successful, North Dakota could receive $5 to $10 million per year in additional use tax revenue from all out-of-state direct marketing firms that sell products in North Dakota.

### INDIVIDUAL INCOME TAX RETURNS PROCESSING

In both years of the 1987-89 biennium the Tax Department continued the accomplishment of the previous biennium by being the first state in the nation to complete processing of timely filed and accurate individual income tax returns and refund claims. During both years of the biennium processing of returns was completed on April 27 and the mailing of refunds on timely filed and accurate returns was completed on April 29. This was particularly noteworthy in 1989 because the filing deadline was April 17 rather than April 15.

The rapid processing of tax returns benefits the state as well as taxpayers. At a time when the economy is depressed and significant budgetary constraints continue, the timely deposit of income tax payments enables the state to earn more income. This can be an important revenue source. At the interest rates effective during the 1989 processing season, a $1 million deposit earned over $1,100 in interest in one week.

## POWERS AND DUTIES OF THE TAX COMMISSIONER

1. Shall perform all the duties enjoined upon him/her by law.

2. Shall exercise general supervision over all assessors of general property or other taxes, over township, county, and city boards of equalization and over all other assessing officers, in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state.

3. Shall direct actions and prosecutions to be instituted to enforce the laws relating to the penalties, liabilities and punishments of persons, officers of corporations, public officers, and others, for failure or neglect to comply with the provisions of law governing the returns, assessments, and taxation of property, income, or other objects of taxation, cause complaints to be made against officers for neglect or refusal to comply with the law, and generally shall enforce all tax proceedings and revenue laws of the state in the proper courts.

4. May require state's attorneys of the several counties to assist in the commencement and prosecution of actions and proceedings for the violation of any laws in respect to assessment or taxation.

5. May require township, city, county, and other public officers to report information as to the assessment and collection of property and other taxes, receipts from licenses and other sources, the expenditure of public funds for all purposes, and such other information as may be needful in the administration of the tax laws, in such form and upon such blanks as he/she may prescribe.

6. May summon witnesses to appear and give testimony and produce books, records, papers, and documents relating to any matter which he/she or the state board of equalization may have authority to investigate or determine, and may cause the depositions of witnesses residing within or without the state, or temporarily absent therefrom, to be taken, upon notice to the interested parties, if any, in like manner as depositions of witnesses are taken in civil actions in the district court.

7. May require a reassessment of property in any county to be made in accordance with chapter 57-14 whenever that is deemed necessary, or may require county auditors to place on the assessment rolls property which may be discovered and which has not been taxed according to law.

8. Shall examine carefully all cases where evasions or violations of the laws of assessment and taxation of property or other objects or subjects of taxation are alleged, complained of, or discovered, and shall ascertain wherein existing laws are defective or are administered improperly or negligently.

9. Shall submit to the governor and the office of management and budget as prescribed by section 54-06-04 the biennial report of the commissioner and state board of equalization.

10. Shall visit other states and confer with taxing officials and attend tax or other economic conferences or conventions, in person or by his/her authorized agent.

11. Shall certify all levies, assessments, equalizations, or valuations made by him/her or the state board of equalization, not more than thirty days after the same have been made, or at periods otherwise provided by law.

12. Shall have the power to execute reciprocal agreements with the appropriate officials of any other state under which he/she may waive all or any part of the requirements imposed by the laws or statutes of this state upon those who use or consume in the state of North Dakota, gasoline, other motor vehicle fuel or special fuel upon which the tax has been paid to such other state; provided, that the officials of such other state grant the equivalent privileges with respect to gasoline, other motor vehicle fuel, or special fuel used in such other state upon which the tax has been paid to the state of North Dakota.

13. May maintain an accounting system which includes a special category of accounts designated as noncurrent accounts. Said noncurrent accounts shall be those accounts which are uncollectible as a matter of law or those accounts where all reasonable collection efforts over a period of six years have produced no results. After examination by the state auditor, and upon his/her recommendation for cause, specific accounts may be removed by the commissioner from noncurrent status and all records pertaining thereto immediately destroyed.

Specific duties assigned to the Office of State Tax Commissioner are set out in N.D.C.C. Title 57, and the general powers and duties in N.D.C.C. Section 57-01-02.

## MAJOR GOALS AND OBJECTIVES OF THE TAX DEPARTMENT

The primary mission of the Tax Department is to collect tax revenue required to be paid by law and necessary to fund the operation of state and local government, through the uniform and fair administration of North Dakota's tax laws. Accomplishment of this mandate requires the pursuit and achievement of several distinct goals simultaneously.

The first goal, and one which is essential to effective tax administration, is to obtain voluntary compliance with the tax laws of the State by all taxpayers. Disseminating information about specific tax laws and general tax structure serves to foster compliance; well-informed citizens generally are

willing to meet their obligations. The Tax Department issues rules and regulations, guidelines, and instructional booklets. In addition, public meetings are held, and taxpayers receive individual assistance through personal contact, the telephone, and correspondence.

A second goal is to enforce compliance by those who refuse to voluntarily submit tax returns and/or remit taxes due. Compliance activities are carried out by the Department's auditors, compliance officers, field tax inspectors, and tax collections officers, under the procedures set out in Title 57 of the North Dakota Century Code.

Recognizing that the quality of service an agency provides reflects the competence of its personnel, the third goal of the Tax Department is to employ highly qualified, capable men and women and to afford them opportunities for personal and professional growth within the organization.

The fourth goal is effective management of human resources. Within the framework of the Department's broad objectives, individuals are encouraged to apply creativity and initiative in the performance of their responsibilities. In this environment, employees strive to attain self-determined objectives, which results in greater productivity and contributes to organizational achievement.

As a fifth goal, the Tax Department is committed to fiscal responsibility in the use of funds provided by the Legislature. In its efforts to minimize costs while maximizing productivity and quality of taxpayer service, the Department relies on a management system which emphasizes the necessity of realistic measurement of achievements and current reports of problems and progress in meeting the Department's objectives.

Specific goals, objectives, and accomplishments for the 1987-89 biennium will be addressed in the following pages which outline the Tax Department's organizational structure.

## FUNCTIONS AND RESPONSIBILITIES OF THE TAX DEPARTMENT'S DIVISIONS

The Tax Department is comprised of six separate divisions. The Commissioner's Division is the administrative nucleus of the department. The Legal Division provides legal advice and counsel to the department and to the State Board of Equalization. The Controller's Division performs accounting functions, provides staff services and collects delinquent taxes. The Sales and Special Taxes Division, Income & Oil Taxes Division and Property Tax Division administer different state taxes under the direction of the Tax Commissioner. The following summaries provide more detailed explanations of the functions and operations of the Tax Department's divisions.

### COMMISSIONER'S DIVISION

The Commissioner's Division has ultimate responsibility for the general administration of the department. It also serves as the department's primary research center, coordinates its data processing needs, manages its personnel functions, and directs internal audits of the department.

Directing the division and the Tax Department itself is the Tax Commissioner, the chief administrator of the department and final arbiter of its policies. The commissioner also serves on several administrative boards related to the Tax Department. As secretary to the State Board of Equalization, which certifies tax assessments for public utilities whose properties lie within several taxing districts, the commissioner is responsible for determining the tentative valuation of those properties. The commissioner also oversees regular studies of real estate assessments done by the Tax Department, studies which the State Board of Equalization may use in equalizing property tax assessments between counties and taxing districts.

Further, the Tax Commissioner is a voting member of the Multistate Tax Commission, an organization which enhances, through the mutual cooperation of its member states, the ability of state revenue departments to enforce compliance with tax laws applying to multistate businesses.

Tax Commissioner Heidi Heitkamp served as Chairman of the Multistate Tax Commission in 1988-1989. Commissioner Heitkamp also is a member of the Midwestern States Association of Tax Administrators and the Federation of Tax Administrators.

Augmenting the commissioner in determining department administrative policy is the Deputy Commissioner. The deputy oversees tax research, data processing coordination, internal audits, implementation of tax policies, development of criteria for effective management, and supervises finalization of tax forms, instructions, and rules and regulations. With the commissioner, the deputy has control over budgeting and fiscal decisions for the department. The deputy assists the commissioner by attending meetings and hearings as the department's liaison with other government and nongovernment organizations.

An integral arm of the Commissioner's Division is the Research and Statistics Section. This section is involved in the preparation of revenue projections and other fiscal analyses. When requested by the Legislative Council, it prepares estimates and projections of fiscal implications of all proposed tax legislation dealing with state revenues. The section also estimates the current and future fiscal impact of all administrative rulings proposed by the Tax Commissioner, maintains files of legislation affecting state finance, and develops and maintains statistics on state tax revenues to provide information and analyses to the commissioner. In addition to its work on revenue projections and fiscal analyses, the Research and Statistics Section also prepares and publishes the biennial report of the Tax Commissioner, statistical reports, and comparative analyses of tax collections.

In addition to providing assistance to OMB in the preparation of revenue projections, the Tax Department is responsible for preparing fiscal notes on proposals which affect revenues resulting from the various taxes which the department administers. The responsibility for those fiscal note responses rests with the Research and Statistics Section. In addition to responses which must be prepared during the Legislative Session, the department prepares fiscal note information for the Interim Committee on Finance and Taxation and responds to requests for fiscal information from individual legislators, businesses, and other government agencies.

Another unit of the Commissioner's Division is the Data Processing Section, which evaluates data processing requests, retains computer system documentation, and designs, tests, and implements new computer systems. This section also maintains current data processing systems and communicates with all users; develops and monitors physical security measures; reviews security methods and recommends security changes; and controls access to Internal Revenue Service and state data files; performs data entry input function; and coordinates mainframe computer processing of Tax Department data with the Central Data Processing Division.

During the 1987-89 biennium several significant enhancements and modifications were made to data processing systems. The department's micro computer network was refined and enhanced and auditors began using laptop personal computers to conduct field audits more efficiently.

Conversion of the Accounts Receivable system to data base was accomplished during the 1987-89 biennium. Modifications were made to provide for the administration of city sales taxes adopted by Fargo and Devils Lake. Another refinement implemented the administration of a new restaurant and lodging tax. Extensive modifications were made to the income tax refund system to allow overpayments to be applied as a credit to the next year's taxes, as a contribution to the nongame wildlife fund, as a refund, or any combination thereof.

Also within the Commissioner's Division is Management and Planning and Personnel, which is responsible for recruitment of new employees, operation of the department's training program, and compliance with Equal Employment Opportunity regulations. Management Planning and Personnel also performs job audits and reviews position classifications, maintains employee records, and administers the department's wage and salary plan. Another of its responsibilities is to assist in department-wide planning by aiding each division in establishing objectives for management and determining criteria for the measurement of performance. Management Planning and Personnel also prepares written materials, maintains files, promotes security awareness and reviews department security measures to ensure the Tax Department complies with IRS requirements for safeguarding federally-provided tax information.

The Commissioner's Division also encompasses the department's internal auditing function. The internal auditor, who is supervised by the Deputy Tax Commissioner, conducts audits within the Tax Department to determine compliance with policies and procedures and to monitor the efficiency of all its divisions and sections. Subsequent to an audit, recommendations are offered to improve the operations and effectiveness of the department.

While it is not confined to the Commissioner's Division, another role within the Tax Department is to conduct studies assigned by the commissioner on matters and policies relating to tax administration.

During the 1987-89 biennium, Commissioner Heitkamp served as Chair of the Statistical Reporting Cluster of the Governor's Economic Development Roundtable. The resulting publication is North Dakota Economic Data.

Other studies and reports during the biennium were: State and Local Taxes in North Dakota; A Comparative Guide and a new edition of North Dakota: Where Taxes Work for People. A brochure, "North Dakota Tax Incentives for Business," was also developed in the 1987-89 biennium.

Commissioner Heitkamp is leading an effort to simplify and ease the burden of business compliance with the state's registration, licensing, reporting, fee and tax payment requirements. The Tax Department is working with the Secretary of State, the Workers' Compensation Bureau, and Job Service North Dakota to implement changes and if necessary to recommend legislation which will make the registration, compliance and collections processes more efficient for both the business community and state agencies.

The Tax Commissioner is the public official responsible for administering and implementing changes in tax laws and for issuing, administering and monitoring all policies, rules and regulations related to those laws. A major goal for the 1989-91 biennium is to ensure that the new tax laws and the amendments to existing laws are carried out smoothly.

Another new initiative during the coming biennium is the development of a formal Taxpayer Bill of Rights which defines the rights of taxpayers to include fair, professional, prompt, and courteous treatment. A major objective of this effort is to ensure that taxpayers are made aware of those rights and the protection afforded them in each step of the tax process.

The Commissioner's Division in the 1987-89 biennium was comprised of 20 full-time positions which include the Tax Commissioner and Deputy Commissioner; an administrative officer; a personnel director and personnel assistant; two research analysts; a research technician; an internal auditor; three data processing coordinators; a data input supervisor; five data input operators; and two secretaries.

## LEGAL DIVISION

The Legal Division provides legal advice and counsel to all divisions within the Tax Department and to the State Board of Equalization. The division's attorneys respond to inquiries by the Tax Commissioner, legislators, officials and citizens and prepare opinions on tax questions. They also assist in reviewing and drafting department administrative rules pursuant to the provisions of the Administrative Agencies Practice Act and are responsible for these rules being submitted to the Attorney General for approval and being filed with the Legislative Council.

During the North Dakota legislative session, the legal staff develops and drafts bills for the Tax Commissioner to be presented for consideration by the Legislature. At the end of the legislative session, the legal staff may interpret new or amended laws to aid the department in implementing those laws or assist the commissioner in issuing rules, regulations or policies regarding them.

Other responsibilities of the legal staff are to conduct formal hearings before the commissioner or her designated representative when requested by taxpayers, to prepare written decisions for the commissioner, and to represent the Tax Department and the State Board of Equalization in litigation brought by or against either the department or the board.

During the 1987-89 biennium the Legal Division included seven full-time positions: five attorneys, a legal assistant, and an administrative secretary. The division handled 54 court cases for the Tax Department or the State Board of Equalization. In addition, the Tax Department, on the average, files approximately 20 legal cases a month against delinquent taxpayers.

## CONTROLLER'S DIVISION

The Controller's Division of the Tax Department consists of three sections: Accounting, Accounts Receivable and Staff Services.

Acting as the department's center for business transactions, the Accounting Section prepares the Tax Department's executive budget request and assists with biennial revenue estimates. This section also prepares the department's internal budget, analyzes and forecasts expenditures, and monitors and reports on budget performance. All tax payments made to the department are processed and recorded by this section, which also prepares reports and financial statements for management information and auditing purposes. All records maintained by the Accounting Section are subject to audits by the State Auditor's Office. After the audit of the Tax Department for fiscal years 1987 and 1988, the audit team indicated that they had no formal recommendations for change and, once again, gave the Tax Department an unqualified opinion.

The Accounts Receivable Section is responsible for collecting delinquent taxes. Delinquent accounts are referred to this section for collection by the division of the Tax Department responsible for administering the tax. Established procedures used for the collection of delinquent taxes include telephone and written communication with taxpayers and the mailing of final notices requesting payment of taxes. If necessary, this section may resort to civil or criminal legal action. It is the policy of the Accounts Receivable Section to initiate legal action only in those cases in which the taxpayer fails to respond to collection attempts. Taxpayers are always given ample notice and opportunity to comply with requests for payment of taxes.

The Staff Services Section provides support services for the department. The mailroom receives and fills orders for tax forms, and receives, opens, and initially processes tax returns; the central word processing unit provides a typing and transcription service for all areas of the department, and produces camera-ready copy for tax forms and other printed materials; the central records repository provides a document control system to house tax records and ensure confidentiality of taxpayer information. Centralizing these functions within the Controller's Division increases efficiency in the operation of the entire Tax Department.

In the 1987-89 biennium, the Controller's Division included 31 full-time positions. Those positions include the controller, one accountant, one auditor, five tax collection officers, a tax collection supervisor, four account technicians, three information processing operators, one information processing coordinator, one secretary and 13 clerks.

## SALES AND SPECIAL TAXES DIVISION

The Sales and Special Taxes Division includes three sections: Sales and Use Tax, Motor Fuels and Miscellaneous Taxes, and Estate Tax.

Administering the sales tax is the principal function of the Sales and Use Tax Section, which monitors compliance with the sales tax law and conducts field audits. This section issues sales tax permits, revokes permits of those delinquent in reporting sales, and cancels permits issued to businesses which are no longer operating. When sales tax returns are filed, data from those returns is entered at the Tax Department and processed by computer at Central Data Processing. The section may grant or deny taxpayer requests for exemptions; conduct hearings and negotiate settlements; issue administrative tax rulings; provide guidelines, rules and regulations for retailers and other taxpayers; review compliance with sales and use tax regulations in out-of-state purchases; and inform the public of laws pertaining to sales and use taxes.

During the biennium, the Sales and Use Tax Compliance Section implemented the collection of city sales taxes in Devils Lake and Fargo. It also remained responsible for administration of city sales taxes in Grand Forks, Bismarck, and Minot which implemented the local tax earlier.

During the 1987-89 biennium, the sales tax rates were again increased. Effective July 1, 1987 the general sales and use tax rate was increased from 5% to 5½% and the tax rate on both on-and off-sale liquor sales increased to 6½%. Also, the tax rate on farm machinery repair parts, farm machinery and equipment, irrigation equipment and new mobile homes increased to 3½%.

On May 1, 1989, the general sales and use tax rate was increased to 6% while the tax rate on sales of alcoholic beverages increased to 7%. A 4% rate was established on sales of farm machinery parts, farm machinery, irrigation equipment, and new mobile homes.

In the 1987-89 biennium, the Sales and Use Tax Section conducted 1,160 field audits of both in-state and out-of-state establishments doing business in North Dakota. Those audits resulted in additional sales tax assessments of $9.4 million. Actual settlements of audits totaled $6.7 million for the biennium. In total, 53,106 man hours were involved in the sales tax field audits for the 1987-89 biennium. Based on settlements, the return per audit man hour was $126. The Sales and Use Tax Section also conducts motor fuels tax audits and motor vehicle excise tax audits. In addition, the field auditors provide income tax assistance throughout the state during the income tax season.

A second arm of the Sales and Special Taxes Division, the Motor Fuels and Miscellaneous Tax Section, is responsible for administering, collecting and auditing fuel taxes, special taxes and miscellaneous taxes.

North Dakota imposes a motor fuels tax on all sales of gasoline. During the 1987-89 biennium, the tax was 17 cents per gallon. There is also a special fuels tax on certain other motor fuels, primarily diesel fuel. For the 1987-89 biennium, the special fuels tax was 17 cents per gallon if it was for use in licensed vehicles or if sold to public contractors performing public-funded contracts. If the special fuels are sold for heating, agricultural, industrial or railroad purposes, the special fuels tax is 2% percent of the purchase price of those fuels. Licensed dealers of gasoline and other motor fuels remit motor fuels taxes, on a monthly basis, to the Motor Fuels and Miscellaneous Tax Section.

This section also administers the motor fuels tax refund program. The refunds apply only to the gasoline tax and to special fuels taxes. Refunds are granted only to certain consumers, namely political subdivisions, farmers, and industrial users who use the fuel for off-highway purposes.

Other fuel taxes administered by this section include an importers-for-use tax collected quarterly from persons importing gasoline or diesel fuel from other states for use in North Dakota, and an aviation fuel tax levied on all sales of aviation gasoline and jet motor fuel. This section also administers the aviation fuel tax refund program.

In addition to fuels taxes, the Motor Fuels and Miscellaneous Tax Section administers several miscellaneous taxes: a copyright tax on gross receipts from all sales, licenses and other depositions of performing rights of music; and a tobacco products tax.

Other functions of this section include interpreting tax regulations and issuing administrative rules; reviewing, issuing and revoking licenses and permits; and responding to taxpayer questions. The Motor Fuels and Miscellaneous Tax Section also requests field audits by the sales tax field audit staff to determine compliance with tax laws for which it is responsible.

The third arm of the Sales and Special Taxes Division is the Estate Tax Section, which supervises North Dakota's tax on property transferred upon death. Major revisions to North Dakota's estate tax law by the 1979 Legislature considerably eased the complexities faced by this section. Under that legislation, which took effect March 16, 1979, North Dakota's estate tax is entirely contingent on credits which the federal government allows on federal estate taxes. Specifically, the federal government allows a credit for state estate taxes paid, a credit which is applied against the federal estate tax. North Dakota law now provides that its state estate tax will be equal to but no more than the credit allowed on federal estate tax returns. In other words, the estate will pay no more in North Dakota estate tax than it would otherwise pay in additional taxes to the federal government.

Under the revised law, the attorney for the estate is required to give the Estate Tax Section a copy of the federal estate tax return, which is verified to assure the federal credit is properly computed. The section also maintains estate tax records, and informs the public about estate tax laws, policies and procedures.

In the 1987-89 biennium there were 43 full-time positions in the Sales and Special Taxes Division. These included the sales and special taxes director, the supervisor of motor fuels and miscellaneous taxes, field audit supervisor, compliance supervisor, estate tax supervisor, three compliance officers, one field tax inspector, 18 auditors, one administrative secretary, one account technician, and 14 clerks.

## INCOME AND OIL TAXES DIVISION

The Income and Oil Taxes Division is responsible for administering the following principal taxes: the state's corporate and individual income taxes, the privilege tax on certain financial institutions, the oil and natural gas gross production tax and the oil extraction tax.

The division is comprised of three sections: Corporate Income Tax, Oil and Gas Taxes, and Individual Income Tax. Basically, the responsibilities of the Income and Oil Taxes Division are those common to most operating areas of tax administration. Sections receive and process tax returns, perform audits, conduct cross-checks of federal tax returns with state returns and use other investigative means to identify nonfilers, investigate reasons for nonfiling, and enforce filing requirements. Each section also promulgates tax rules and regulations, issues administrative tax rulings, recommends tax law changes, redesigns tax forms and revises instructions to taxpayers to comply with statutory changes, and monitors litigation.

Taxpayer assistance is also provided by each section. Tax clinics are conducted to provide information on policy and legal changes affecting tax forms and filing requirements.

In the 1987-89 biennium, the Corporate Income Tax Section was responsible for administering the state's income tax imposed on all corporations doing business in North Dakota. It also administered the state's business privilege tax, as it applied to all banks, trust companies, and building and loan associations doing business in the state. Further, it was responsible for administering a separate tax imposed on all banks, trust companies, and building or savings and loan associations doing business in the state. This tax goes directly to the counties.

The Corporate Income Tax Section conducts in-office and/or field audits of all corporations. Historically, however, the primary emphasis for field audits has been placed on the large multinational corporations doing business in the state. Because field audits are very time consuming and the size of the section's staff limits the number of audits which it can reasonably conduct, the Corporate Income Tax Section relies, in part, on a program of cooperation with the Multistate Tax Commission to perform field audits.

In the 1987-89 biennium, the Section's auditing staff conducted 44 corporate income tax field audits, nearly all of them on out-of-state corporations doing business in North Dakota. Those audits resulted in over $21.7 million in additional assessments.

Also in the 1987-89 biennium, field audits conducted by the Multistate Tax Commission resulted in almost $1.0 million in additional assessments for North Dakota. The state's cost for those audits was $161,890.

The present Oil and Gas Taxes Section had its beginning in June of 1980, with two full-time audit positions in the Sales and Special Taxes Division being assigned responsibility for oil and gas tax audits. Two additional full-time audit positions were authorized for the 1981-83 biennium and the first field audits were conducted. On July 1, 1981, the oil and gas taxes audit function was shifted to the Income Tax Division and assigned to the Corporate Income Tax Section. As the importance of oil and gas taxes grew, the number of audit positions in that area of responsibility also increased. Five

additional auditors were authorized for the 1983-85 biennium; four of the positions emanating from the executive budget request, and one as a component of the "Fair Share" program. The expansion of oil and gas taxes audit function led to the creation of a separate and distinct section effective July 1, 1983 and increased to three the number of sections in the Income and Oil Taxes Division. During the 1987-89 biennium, oil and gas tax assessments resulting from office and field audits as well as cross-checks and compliance reviews exceeded $14.5 million.

The Oil and Gas Taxes Section performs in-office and field audits of oil and gas companies which conduct business in the state. During the 1985-87 biennium, the auditing staff initiated 52 gross production and oil extraction tax audits that resulted in assessments of $12.8 million.

During the biennium, collections from office and field audits as well as cross-checks and compliance reviews totaled $4.8 million.

The Individual Income Tax Section, in the 1987-89 biennium, was responsible for administering the state's income tax on individuals, estates and trusts

Data from all individual and fiduciary income tax returns is entered at the Tax Department and processed at Central Data Processing. The computers generate calculation worksheets which identify any returns requiring additional attention. Returns are reviewed, claims for refunds are verified, and additional taxes due are computed and assessed.

The Individual Income Tax Section also performs in-office and field audits. Most audits conducted by this section are in-office, although field audits of employers' records are also conducted to monitor compliance with the state income tax withholding law. Federal audits, in-office audits, and compliance review conducted by this section in the 1987-89 biennium netted more than $3.7 million in additional assessments for individual income taxes.

In the 1987-89 biennium, the staff of the Income and Oil Taxes Division included 46 full-time positions: an income and oil taxes director, a corporate income tax supervisor, an oil and gas taxes supervisor, an individual income tax supervisor, 2 compliance officers, 26 auditors, 4 audit technicians, a criminal investigation agent, a field tax inspector, an administrative secretary and 7 clerks.

## PROPERTY AND UTILITY TAXES DIVISION

The property tax is an important source of revenue for financing school districts, and county, city, and township government. While local government units have the responsibility of assessing and taxing all classes of real property, the State Tax Department provides assistance to local government units to assure that the property tax is administered equitably throughout the state.

The Property and Utility Taxes Division, under the direction of the State Supervisor of Assessments, works with local government to maintain equalization of property assessments among the various counties in North Dakota. To assure property tax equalization, the division performs annual sales ratio studies, which compare true and full value of real estate with the sale price of properties which have been sold. If significant assessment variations exist between counties, steps are taken by the State Board of Equalization to equalize those assessments. In addition, personnel from the division investigate individual assessments for the board and make detailed appraisals of complex properties when the owners of those properties have appeared before the State Board requesting a review.

The Homestead Credit and Renter Refund Program is also administered by the Property and Utility Taxes Division. Under this state-funded program, qualifying senior citizens and totally and permanently disabled persons receive a reduction of their property tax assessment or a partial refund of annual rent paid. The total amount of revenue lost to the local taxing districts by this reduction is reimbursed to them from the state general fund. Credits are allowed not only against real property tax assessments but against special assessments as well. Credits allowed for special assessments become a lien on the property. The division has the responsibility for monitoring the liens and for providing a release whenever the liens are satisfied.

With the repeal of the personal property tax in 1969, a source of local revenue was lost. To offset that loss, replacement moneys from the state general fund are appropriated by the Legislature for distribution among the various political subdivisions, excepting schools. This personal property tax reimbursement program is administered by the Property and Utility Taxes Division.

The division also conducts seminars for local government officials to improve administration of the property tax and holds property tax appraisal schools for assessors and other local tax officials. Tax statutes are interpreted, legal questions are reviewed and analyzed, and information concerning changes in law or policy affecting property taxation is disseminated. The division acts as the liaison between local property tax administrators and state officials. While it does not directly administer the property tax, the division functions as a statistical and informational resource center of communications among all levels of government to maintain efficiency, promote uniformity, and achieve equalization within the property tax system. The change in legislative philosophy regarding budgetary control of local taxing districts makes it necessary that the Property and Utility Taxes Division develop maximum levy worksheets for use by the county auditors in determining the total dollar levy allowed each taxing district. Workshops conducted by division personnel provide county auditors with first-hand knowledge of the new procedures that they must use.

Assisting the Tax Commissioner and the State Board of Equalization in making valuations of utility property for property tax purposes is the Utilities Tax Section. Most real property is assessed by local government. However, the property of railroads, airlines, and public utilities such as electric and gas companies, and telephone companies, is assessed at the state level. After the Utilities Tax Section has completed its tentative valuations, the State Board of Equalization sets the final assessed valuations.

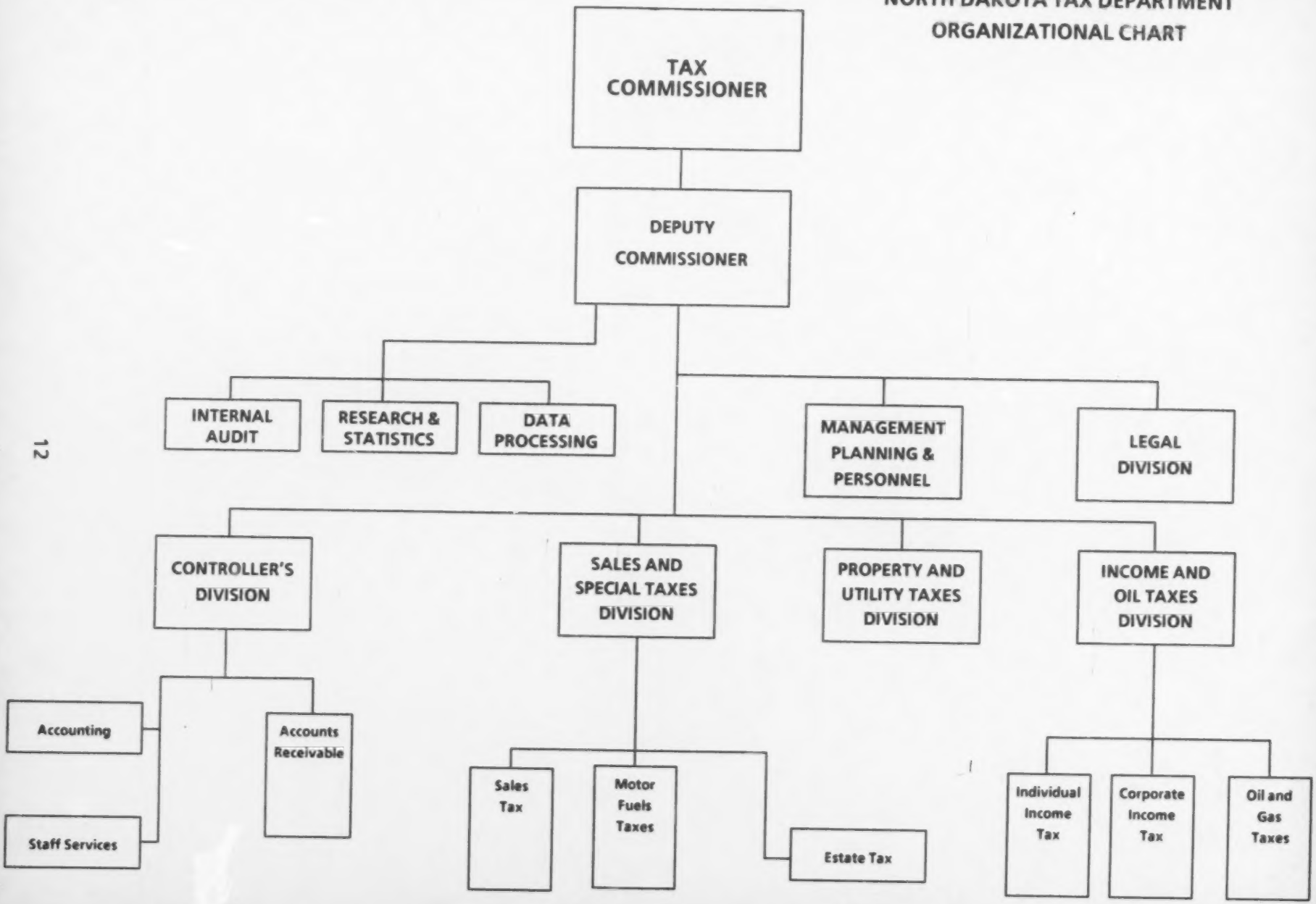
The section then certifies to each county auditor the value placed on the utility property located within that county, and the tax is administered and collected by the local governments.

Another responsibility of the Utilities Tax Section is administering the state severance tax on coal and the coal conversion privilege tax on electrical generating plants and coal gasification plants. The section audits reports of collections of these energy-related taxes. The Utilities Tax Section also prepares reports on the collection of these taxes and information for revenue distribution by the State Treasurer's Office, which is responsible for allocating revenue from these taxes among the state, the producing counties, and a permanent Coal Development Trust Fund.

The Property and Utilities Taxes Division annually certifies to county directors of tax equalization in each of the state's 53 counties the average true and full agricultural value of farmland, as determined by North Dakota State University. It is this value on which the counties base their assessments of agricultural property.

The staff of the Property and Utility Taxes Division, in the 1987-89 biennium, included six full-time positions: the state supervisor of assessments, a deputy supervisor, a property tax appraiser, a utility tax appraiser and two clerks.

# NORTH DAKOTA TAX DEPARTMENT
## ORGANIZATIONAL CHART



## FUTURE DIRECTIONS: CHANGES IN THE 1989-91 BIENNIUM
## Tax Legislation Enacted During the 1989 Legislative Session

Legislation enacted during the 1989 Legislative Session will have a significant impact on the administration of some of North Dakota's principal taxes during the 1989-91 biennium and in the years beyond. The following summaries address the major tax legislation enacted by the legislature.

**INDIVIDUAL INCOME TAX:**

- The tax rate on Form 37-S (short form) was increased from 14% to 17% of the adjusted federal income tax liability.

- Form 37 (long form) tax rates were increased 21.4%. The lowest rate increased from 2.67% to 3.24% on North Dakota taxable income up to and including $3,000, and the highest rate increased from 12% to 14.57% on North Dakota taxable income over $50,000.

  **Referral petitions were filed on July 18, 1989, referring the rate increases to a vote of the people. A special election was held December 5, 1989, and the income tax rate increases were rejected. Therefore, the Form 37-S rate for the entire tax year 1989 is 14% of the adjusted federal income tax liability. The Form 37 rates also reverted back to previous levels.**

- Taxpayers must use the same filing method and the same standard deduction or itemized deductions as used on federal returns.

- Taxpayers can make an optional contribution to the Centennial Tree Program by designating the amount on the North Dakota income tax return.

- "Federal taxable income" for long-form filers is now permanently federalized except for safe harbor leases, foreign sales corporations, and certain adjustments for depreciation.

- Highway patrol retirees are allowed a new, long-form deduction of up to $5,000 received from the Highway Patrol Retirement System.

- All federal retirees are allowed a new, long-form deduction of up to $5,000 received from a federal pension, and military retirees can receive the deduction at the age of 50 (formerly 60).

- Taxpayers are allowed a new, long-form deduction of up to $5,000 ($10,000 if joint return is filed) for investment in a venture capital corporation or the Myron G. Nelson Fund, Inc.

- Taxpayers are allowed a new, long-form tax credit for 25% of the amount invested in a nonprofit development corporation, up to a maximum of $2,000.

- For refunds paid after June 30, 1989, the interest rate will be 10% per annum. Effective July 1, 1989, interest on unpaid taxes will accrue at 1% per month.

**CORPORATION INCOME TAX:**

- The election to file using the water's edge method instead of the combined report method has been changed to be binding on corporate taxpayers for five years (previously ten years) with a spreadsheet required the initial year of the election and every third year thereafter (previously every year).

- The alternative minimum tax rate was increased from 5% to 6%. However, corporations are allowed to take tax credits in future years.

- "Federal taxable income" is now permanently federalized except for safe harbor leases, foreign sales corporations, and certain adjustments for depreciation.

- A corporation is allowed a new tax credit for 25% of the amount invested in a nonprofit development corporation, up to a maximum of $2,000.

- A corporation can make an optional contribution to the Centennial Tree Program by designating the amount on the North Dakota income tax return.

- For refunds paid after June 30, 1989, the interest rate will be 10% per annum. Effective July 1, 1989, interest on unpaid taxes will accrue at 1% per month.

**SALES AND SPECIAL TAXES:**

- Effective May 1, 1989, the sales and use and motor vehicle excise tax rates were increased as follows:

  The general sales and use tax rate was increased from 5.5% to 6%.

  The tax rate on liquor sales was increased from 6.5% to 7%.

  The tax rate on farm machinery and farm machinery repair parts, and new mobile homes, was increased from 3.5% to 4%.

  The motor vehicle excise tax rate was increased from 5.5% to 6%.

  **Referral petitions were filed on July 6, 1989, referring the sales tax rate increases (except the rate increase on alcoholic beverages) to a vote of the people. A special election was held December 5, 1989, and the sales tax rate increases were rejected. (Because the sales tax measure was passed as an emergency measure, the rate increases remained in effect from May 1, 1989 through December 5, 1989.) On December 6, 1989 the rates were decreased as follows:**

  The general sales and use tax rate was decreased from 6% to 5%.

  The tax rate on farm machinery, farm machinery repair parts, and new mobile homes was decreased from 4% to 3%.

  The motor vehicle excise tax was decreased from 6% to 5%.

  The tax rate on alcoholic beverages remains at 7%.

- Effective July 27, 1989, the sales and use tax rate was reduced to 3% for the purchase of qualifying manufacturing equipment.

- The sales tax base has been broadened to include the sale of bingo cards, coffee, tea, cocoa, bottled water sold in containers of less than one gallon, and sales to state chartered credit unions.

- The exemption for sales to residents of Montana and Canada was modified to exempt entire purchases over $50 (previously $25).

- The exemption for sales to residents of Canada was modified to require application for refund of all tax paid on purchases over $25, with a minimum refund of $15.

- Penalties were increased for "chronically delinquent" sales tax filers based on a graduated scale of number of delinquencies up to 15% of tax due, or $100, whichever is greater.

- The cigarette tax was increased from 27¢ to 30¢ per package of 20.

- The wholesaler compensation was reduced from a flat 5% of wholesale purchase price of cigarette stamps to a graduated scale from 5% down to 2% for purchases of stamps over $400,000 per fiscal year. Total compensation is capped at $25,000 per fiscal year.

- The tobacco products tax was increased from 20% to 25% of wholesale price.

- The previous rate reduction for ethanol blended gasoline has been suspended through June 30, 1991 and is replaced with an ethanol production subsidy. Therefore, the tax rate is increased to 17¢ per gallon.

- Motor fuels tax rates were increased as follows: From 17¢ to 20¢ per gallon of gasoline; from 17¢ to 19¢ per gallon of diesel fuel; from 17¢ to 20¢ per gallon of ethanol blended gasoline (gasohol).

  **However, referral petitions were filed on June 28, 1989, suspending the tax rate increases before they became effective. A special election was held December 5, 1989, and the motor fuel tax rate increases were rejected, causing the rates to remain at previous levels.**

- A petroleum clean up fund tariff of $.00225 per gallon is levied on all taxable fuel except liquified petroleum.

- The Petroleum Inspection Fee is now collected by the Office of State Tax Commissioner.

- Special fuel dealers are allowed compensation of 1% of collections up to $300 per month.

**OIL AND GAS TAXES:**

- A one-year exemption from the oil extraction tax is available after a well has undergone a workover. The exemption is for wells which produced less than 50 barrels of oil per day during the six months immediately preceding the workover. The cost of the workover must exceed either $30,000 if production is increased 50% or more in the first two months after project completion, or $65,000.

- The gross production tax is defined as a real property tax to facilitate the subjecting of Federal Land Bank properties to the oil and gas gross production tax.

**COAL CONVERSION TAX:**

- A coal beneficiation plant is a coal conversion facility subject to a tax of $.20 per ton or 1.25% of gross receipts, whichever is greater.

**COAL SEVERANCE TAX:**

- The Lignite Research tax of 2¢ per ton of coal has been made a permanent tax.

**NORTH DAKOTA STATE TAX DEPARTMENT**
**COMPARATIVE STATEMENT OF NET COLLECTIONS**
**FOR THE 1985-87 BIENNIUM AND THE 1987-89 BIENNIUM**

| TAX TYPE | 1985-87 BIENNIUM | 1987-89 BIENNIUM | NET INCREASE OR DECREASE | |
|---|---|---|---|---|
| | | | DOLLARS | PERCENT |
| Sales and Use Taxes | $372,221,208 | $490,436,336 | $ + 118,215,128 | + 31.8% |
| Oil Extraction Tax | 97,554,493 | 64,352,497 | -33,201,996 | -34.0% |
| Oil & Gas Gross Production Tax | 91,565,561 | 64,645,215 | -26,920,346 | -29.4% |
| Motor Fuels Taxes | 110,398,138 | 144,244,755 | + 33,846,617 | + 30.7% |
| Individual Income Tax | 153,518,603 | 220,111,483 | + 66,592,880 | + 43.4% |
| Corporation Income Tax | 84,382,294 | 79,668,089 | -4,714,205 | -5.6% |
| Coal Taxes | 73,908,609 | 66,070,051 | -7,838,558 | -10.6% |
| All Other Taxes and Fees | 50,622,875 | 66,809,090 | + 16,186,215 | + 32.0% |
| Total Net Collections | $1,034,171,781 | $1,196,337,516 | $ + 162,165,735 | + 15.7% |

**SALES AND USE TAXES:** The increase in collections in the sales and use tax category is due primarily to tax rate increases from 4% to 5% effective January 1, 1987, and from 5% to 5.5% effective July 1, 1987. (This category includes the sales and use tax, motor vehicle excise tax, and the aircraft excise tax.)

**OIL EXTRACTION TAX AND OIL AND GAS GROSS PRODUCTION TAX:** The decrease in oil tax revenue is due to a lower world-wide oil price and a corresponding reduction in well drilling activity and new oil production. The decrease in oil extraction tax revenue is also due to tax incentives put in place by the 1987 Legislative Assembly, allowing new wells a 15- month exemption from the oil extraction tax. After the 15 months, the oil produced from the new well is subject to a 4% oil extraction tax rate, compared to the regular oil extraction rate of 6.5%.

**MOTOR FUELS TAXES:** The increase in fuel tax revenue is primarily due to an increase in motor and special fuel tax rates from 13 to 17 cents per gallon, effective July 1, 1987. (This category includes the motor vehicle fuel and special fuels taxes.)

**INDIVIDUAL INCOME TAX:** The increase in individual income tax collections is due to the increase in the Form 37-S (short form) rate from 10.5% to 14% of adjusted federal income tax liability, with corresponding increases in the Form 37 (long form) rates. The increased rates applied to all tax years beginning after December 31, 1986. Additionally, there was a surtax of 10% of the state liability on the 1987 tax year only. This surtax increased Fiscal Year 1988 collections.

**CORPORATION INCOME TAX:** The collection decline in corporation income tax revenue is due to reduced levels of corporate income in the state during the 1987-89 biennium. The decline is also due to the statutory ACRS depreciation adjustment, and an increase in federal income tax deductions claimed by corporate taxpayers.

**COAL TAXES:** The decrease in this category is attributable to the coal severance tax rate reduction from approximately $1.04 to 75 cents per taxable ton. (This tax category includes the coal severance tax and the coal conversion tax.)

**ALL OTHER TAXES AND FEES:** The increase in this category is primarily due to the growing number of cities which have enacted city sales and restaurant and lodging taxes, and an increase in the cigarette tax from 18 to 27 cents per package, effective July 1, 1987. (This category includes the cigarette tax, tobacco tax, estate tax, business privilege tax, transmission lines tax, motor vehicle excise tax (MVF share), city sales and restaurant and lodging tax, city lodging tax, music and composition tax, sales and use tax and motor fuel tax bonds, motor fuel license fees, and miscellaneous remittances.)

# NORTH DAKOTA STATE TAX DEPARTMENT
## STATEMENT OF COLLECTION DATA
## 1987-1989 BIENNIUM

| Description | FISCAL YEAR 1988 Gross Collections | Refunds | Net Collections | FISCAL YEAR 1989 Gross Collections | Refunds | Net Collections | 1987-89 BIENNIUM NET TOTAL |
|---|---|---|---|---|---|---|---|
| Sales & Use Tax | $206,208,577.37 | $392,140.09 | $205,816,437.28 | $221,791,417.87 | $540,505.56 | $221,250,912.31 | $427,067,349.59 |
| Aircraft Excise Tax | 201,129.99 | .00 | 201,129.99 | 228,140.41 | .00 | 228,140.41 | 429,270.40 |
| Motor Vehicle Use Tax (GF) | 1,933,316.48 | .00 | 1,933,316.48 | 1,712,240.11 | .00 | 1,712,240.11 | 3,645,556.59 |
| Motor Vehicle Excise Tax | 28,254,987.70 | .00 | 28,254,987.70 | 31,039,172.07 | .00 | 31,039,172.07 | 59,294,159.77 |
| City Lodging Tax | 580,821.47 | 3,454.01 | 577,367.46 | 693,276.46 | 806.74 | 692,469.72 | 1,269,837.18 |
| City Sales Tax | 9,236,001.38 | .00 | 9,236,001.38 | 11,164,215.43 | .00 | 11,164,215.43 | 20,400,216.81 |
| City Restaurant and Lodging Tax | 575,022.62 | 470.85 | 574,551.77 | 914,429.43 | .00 | 914,429.43 | 1,488,981.20 |
| Individual Income Tax | 125,520,557.91 | 11,500,000.00 * | 114,020,557.91 | 123,090,924.96 | 17,000,000.00 * | 106,090,924.96 | 220,111,482.87 |
| Corporate Income Tax | 53,482,929.74 | 14,500,000.00 * | 38,982,929.74 | 54,685,158.97 | 14,000,000.00 * | 40,685,158.97 | 79,668,088.71 |
| Business & Corp. Privilege Tax | 2,373,384.35 | 262,414.33 * | 2,110,970.02 | 1,934,311.30 | .00 * | 1,934,311.30 | 4,045,281.32 |
| Cigarette Tax (Cities) | 1,698,523.39 | 1,292.00 | 1,697,231.39 | 1,625,698.10 | 597.07 | 1,625,101.03 | 3,322,332.42 |
| Cigarette Tax (GF) | 14,318,038.23 | 6,460.06 | 14,311,578.17 | 13,005,789.74 | 4,776.60 | 13,001,013.14 | 27,312,591.31 |
| Tobacco Tax | 626,919.82 | 481.98 | 626,437.84 | 641,194.09 | .00 | 641,194.09 | 1,267,631.93 |
| Oil & Gas Gross Production Tax | 35,505,232.74 | 245,539.01 | 35,259,693.73 | 29,434,367.56 | 48,846.32 | 29,385,521.24 | 64,645,214.97 |
| Oil Extraction Tax | 37,246,175.26 | 292,049.77 | 36,954,125.49 | 27,455,827.12 | 57,455.45 | 27,398,371.67 | 64,352,497.16 |
| Motor Vehicle Use Tax (MVF) | 1,933,316.53 | .00 | 1,933,316.53 | 1,712,240.19 | .00 | 1,712,240.19 | 3,645,556.72 |
| Estate Tax | 1,466,384.03 | .00 | 1,466,384.03 | 1,700,938.75 | .00 | 1,700,938.75 | 3,167,322.78 |
| Miscellaneous Remittances | 3,109.33 | .00 | 3,109.33 | 1,776.68 | .00 | 1,776.68 | 4,886.01 |
| Coal Severance Tax | 20,836,209.60 | 86,192.50 | 20,750,017.10 | 23,010,208.55 | 2,677.29 | 23,007,531.26 | 43,757,548.36 |
| Coal Conversion Tax | 10,583,917.52 | .00 | 10,583,917.52 | 11,728,585.08 | .00 | 11,728,585.08 | 22,312,502.60 |
| Transmission Line Tax | 410,258.25 | .00 | 410,258.25 | 410,258.25 | .00 | 410,258.25 | 820,516.50 |
| Music and Composition Tax | 32,033.75 | .00 | 32,033.75 | 29,152.95 | .00 | 29,152.95 | 61,186.70 |
| Sales & Use Cash Bonds | 68,350.00 | 85,535.00 | ( 17,185.00 ) | 51,200.00 | 61,950.00 | ( 10,750.00 ) | ( 27,935.00 ) |
| Fuel Dealers Fee | 1,630.00 | .00 | 1,630.00 | 680.00 | .00 | 680.00 | 2,310.00 |
| Motor Vehicle Fuel Tax | 56,600,031.57 | 3,909,361.37 * | 52,690,670.20 | 56,055,936.17 | 3,730,000.00 * | 52,325,936.17 | 105,016,606.37 |
| Special Fuel Tax | 21,585,913.64 | 1,904,101.98 * | 19,681,811.66 | 22,337,877.41 | 2,791,540.47 * | 19,546,336.94 | 39,228,148.60 |
| Motor Fuel Tax - Cash Bond Fund | 1,500.00 | 200.00 | 1,300.00 | .00 | 1,000.00 | ( 1,000.00 ) | 300.00 |
| Nongame Wildlife Contributions | .00 | .00 | .00 | 31,073.88 | 3,000.00 * | 28,073.88 | 28,073.88 |
| **TOTAL COLLECTIONS** | **$631,284,272.67** | **$33,189,692.95** | **$598,094,579.72** | **$636,486,091.53** | **$38,243,155.50** | **$598,242,936.03** | **$1,196,337,515.75** |

* Represents amounts transferred to refund reserve accounts - not actual refunds.

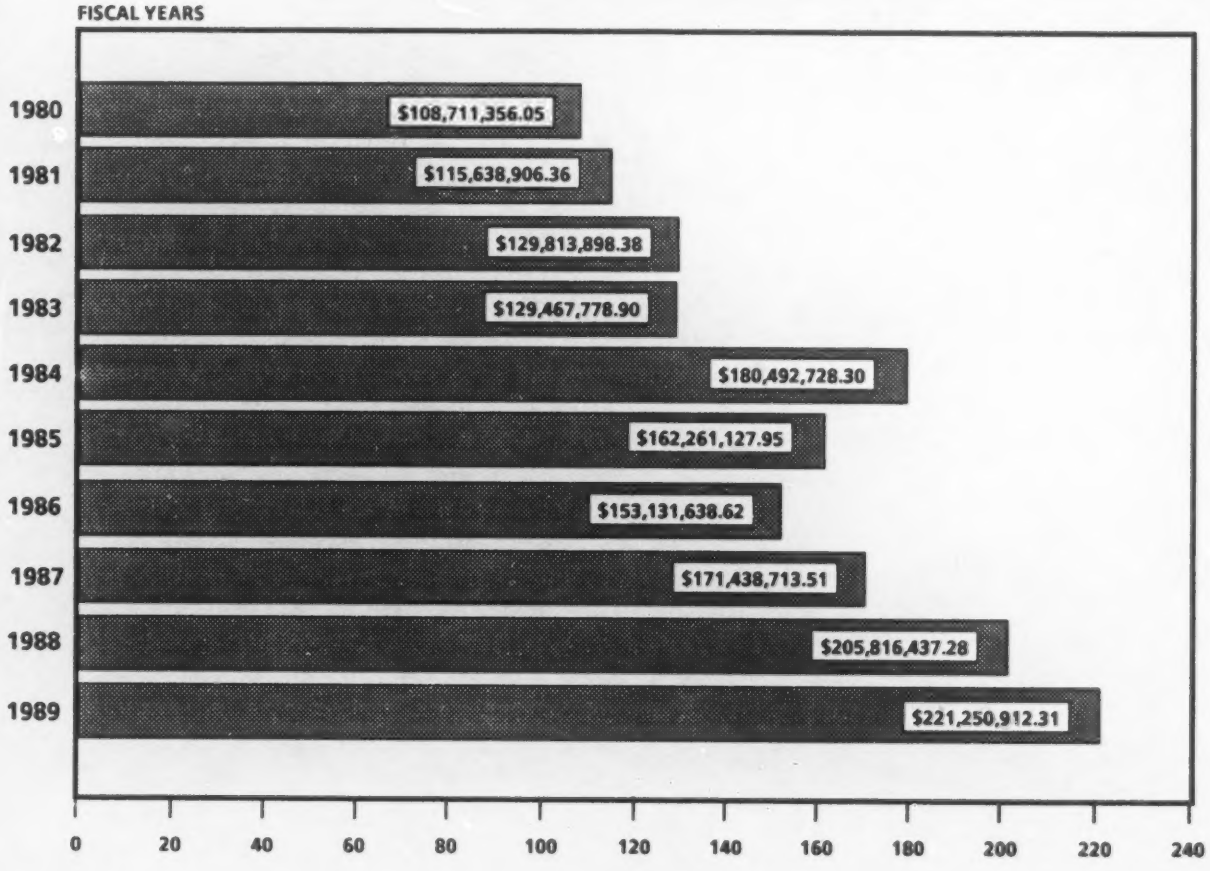
## NORTH DAKOTA STATE TAX DEPARTMENT
## NET COLLECTIONS
## FOR THE FISCAL YEARS ENDED JUNE 30, 1980 TO 1989

| TAX TYPE | FY 1980 | FY 1981 | FY 1982 | FY 1983 | FY 1984 | FY 1985 | FY 1986 | FY 1987 | FY 1988 | FY 1989 |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales and Use Taxes (1) | $122,356,941 | $128,062,740 | $144,610,307 | $145,127,448 | $201,875,626 | $185,255,339 | $175,126,981 | $197,094,227 | $236,205,871 | $254,230,465 |
| Oil Extraction Tax (2) | | 23,651,815 | 89,141,246 | 86,952,446 | 91,472,873 | 77,799,141 | 62,565,514 | 34,988,979 | 36,954,125 | 27,398,372 |
| Gross Production Tax | 29,601,845 | 63,754,409 | 79,794,487 | 79,715,144 | 85,122,189 | 73,014,024 | 57,208,654 | 34,356,907 | 35,259,694 | 29,385,521 |
| Motor Fuels Taxes (3) | 39,591,381 | 38,152,757 | 42,376,870 | 41,716,686 | 60,056,478 | 59,499,615 | 55,375,504 | 55,022,634 | 72,372,482 | 71,872,273 |
| Individual Income Tax | 53,344,055 | 62,415,467 | 35,341,066 | 35,135,877 | 73,951,170 | 76,181,633 | 73,368,114 | 80,150,489 | 114,020,558 | 106,090,925 |
| Corporation Income Tax | 25,952,199 | 29,752,172 | 32,021,771 | 29,069,064 | 42,260,589 | 83,134,581 | 53,510,872 | 30,871,422 | 38,982,930 | 40,685,159 |
| Coal Taxes (4) | 17,154,370 | 18,866,574 | 21,125,945 | 21,449,096 | 32,401,682 | 38,041,686 | 37,697,390 | 36,211,219 | 31,333,935 | 34,736,116 |
| All Other Taxes and Fees (5) | 24,215,469 | 24,975,128 | 20,408,916 | 16,579,930 | 19,256,229 | 19,324,127 | 22,572,354 | 28,050,521 | 32,964,985 | 33,844,105 |
| **Total Net Collections** | **$312,216,260** | **$389,631,062** | **$464,820,608** | **$455,745,691** | **$606,396,836** | **$612,250,146** | **$537,425,383** | **$496,746,398** | **$598,094,580** | **$598,242,936** |

(1) Includes sales and use tax, motor vehicle excise tax, and aircraft excise tax.
(2) The oil extraction tax went into effect on January 1, 1981.
(3) Includes motor vehicle fuel and special fuel taxes.
(4) Includes coal severance tax and coal conversion facilities privilege tax.
(5) Includes cigarette tax, tobacco tax, estate tax, business and corporation privilege tax, transmission lines tax, motor vehicle excise tax (MVF share), city sales tax, city lodging tax, music and composition tax, sales and use tax and motor fuel tax cash bonds, motor fuel license fees, nongame wildlife contributions, and miscellaneous remittances.

SOURCE: Comparative Statement of Collections, North Dakota State Tax Department.

## NORTH DAKOTA STATE TAX DEPARTMENT
## SALES AND USE TAX NET GENERAL FUND COLLECTIONS
## DURING FISCAL YEARS ENDED JUNE 30, 1980 TO 1989




On April 1, 1983, the general sales and use tax was increased from 3% to 4%; the tax rate on new mobile homes, farm machinery and irrigation equipment was increased from 2% to 3%; and the tax on liquor sales was increased from 3% to 5%. These law changes served to increase fiscal year 1984 and 1985 collections.

Effective July 1, 1983 a business with taxable sales greater than $333,000 in the preceding calendar year must make three separate monthly estimated payments prior to filing the quarterly return which is then used to reconcile deposits with total sales tax due for the quarter. The one-time positive revenue impact associated with the implementation of the monthly estimated payment schedule caused fiscal year 1984 collections to be greater than fiscal year 1985 collections.

For taxable sales and purchases made after July 1,1985, those businesses previously required to make monthly estimated payments were required to file monthly returns. Businesses required to file monthly returns continue to be allowed a deduction for administrative expenses of 1.5% of the tax up to a maximum of $83.33 per month. The monthly filing deadline was moved from the 22nd day in the month following the sales month to the last day of the month following the sales month. However, the monthly filing due date for the May 1987 sales month remained on the 22nd day of June.

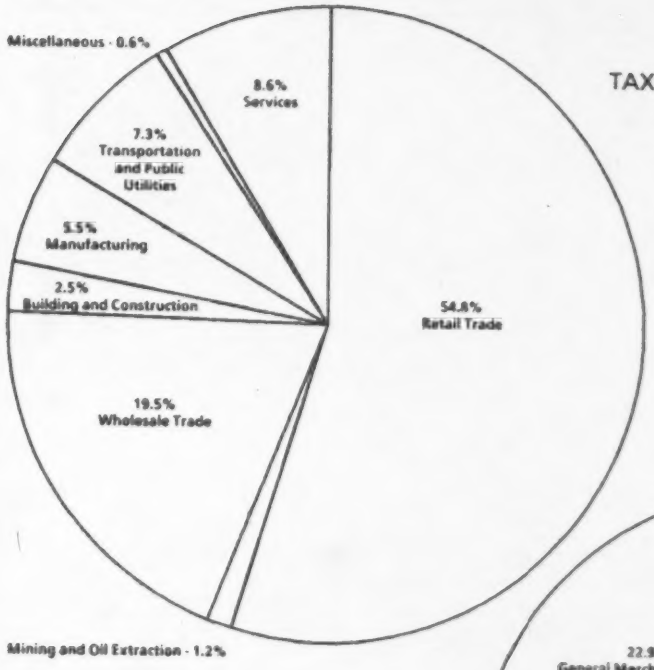
Effective July 1, 1985, the exemption for candy, chewing gum, and carbonated beverages was repealed, and the sale of these items became subject to the 4% sales tax.

On January 1, 1987, the general sales and use tax rate was increased from 4% to 5%; the tax rate on liquor sales was increased from 5% to 6%; and the tax rate on farm machinery repair parts was reduced from 4% to 3%.

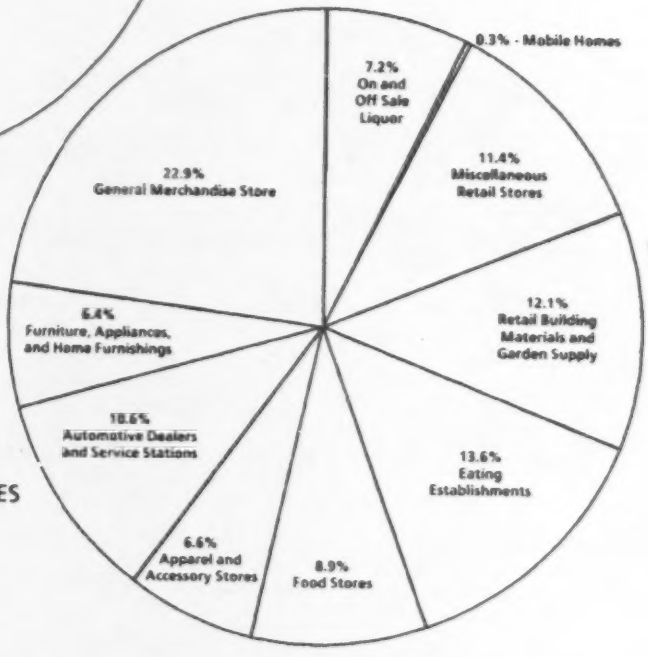
Effective July 1, 1987, the general sales and use tax rate was increased from 5% to 5.5%; the tax rate on sales of farm machinery, farm machinery repair parts and new mobile homes was increased from 3% to 3.5% and the rate on sales of alcoholic beverages was increased from 6% to 6.5%. These law changes increased fiscal year 1988 collections.

On May 1, 1989, the general sales and use tax rate was increased to 6%; the tax rate on farm machinery, farm machinery repair parts and new mobile homes was increased to 4%; the tax rate on alcoholic beverages was increased to 7%. A small portion of fiscal year 1989 collections is due to these rate increases. (Note: the rate increases, except on alcoholic beverages, were referred and subsequently rejected by voters in a special election held on December 5, 1989.)

## NORTH DAKOTA STATE TAX DEPARTMENT
## TAXABLE SALES AND TAXABLE PURCHASES
## IN THE 1987-89 BIENNIUM




TAXABLE SALES AND TAXABLE PURCHASES
BREAKDOWN BY
MAJOR BUSINESS SECTORS




TAXABLE SALES AND TAXABLE PURCHASES
BREAKDOWN OF
RETAIL TRADE SECTOR

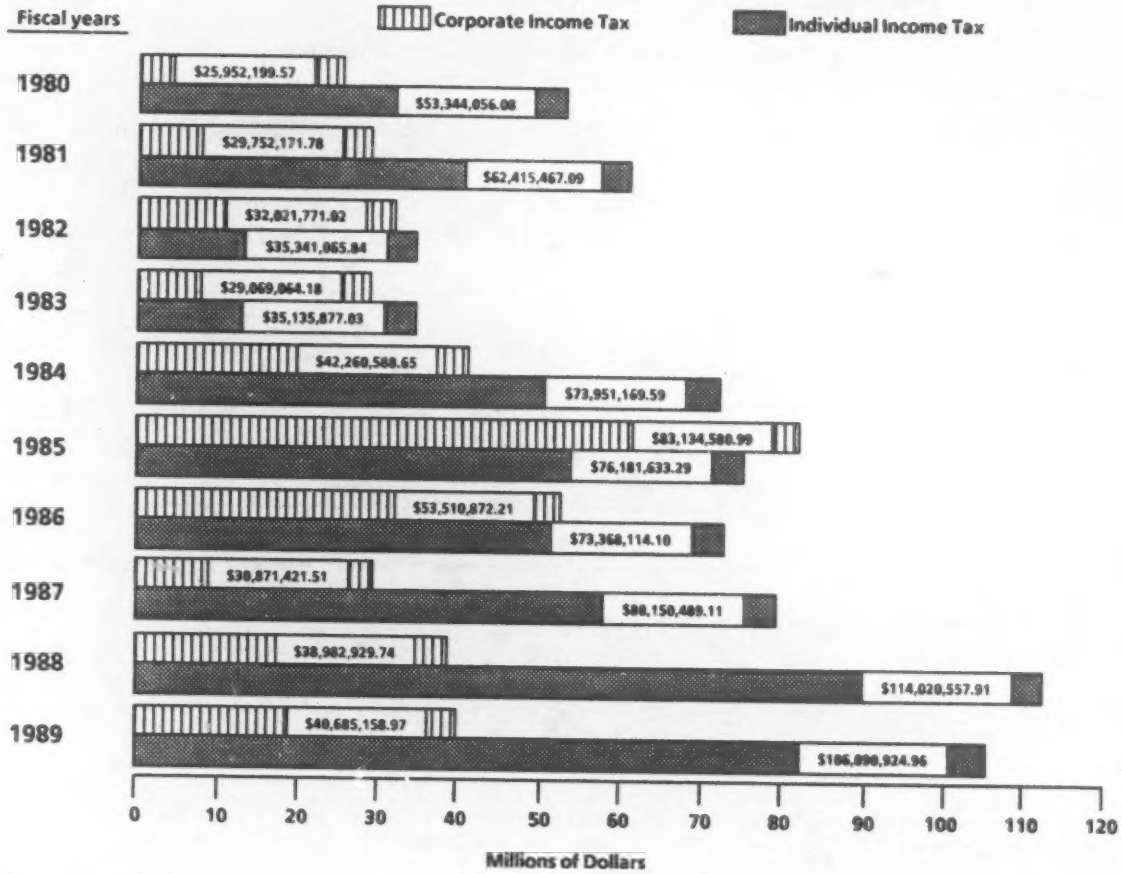
SOURCE: North Dakota Sales and Use Tax Quarterly Statistical Reports and North Dakota TX-1188 Records.

NOTE: The sales tax is levied upon the gross receipts from retail sales of tangible personal property; furnishings or service of steam, gas and communication services; recreation and amusement receipts; magazines and periodicals; leasing or renting of hotel, motel or tourist court accommodations; leasing or renting of tangible personal property.

The use tax is imposed upon any tangible personal property purchased at retail for storage, use, or consumption in this state and not subject to the North Dakota sales tax, unless otherwise exempt by law. Generally this tax applies on purchases of tangible personal property at retail outside North Dakota for use in this state when such purchases are made from a retailer who does not collect a sales and use tax. Under these circumstances, the purchaser must remit the tax directly to the North Dakota Tax Commissioner.

Sales Tax permit holders are categorized through the use of the Standard Industrial Classification System, generally referred to as "SIC" codes. The SIC system is used by government and business throughout the United States to facilitate record keeping and the compilation of statistics regarding business and industry.

## NORTH DAKOTA STATE TAX DEPARTMENT
## NET INDIVIDUAL AND CORPORATE INCOME TAX COLLECTIONS
## DURING FISCAL YEARS ENDED JUNE 30, 1980 TO 1989




Individual Income Tax

The decrease in individual income tax collections for fiscal years 1982 and 1983 is due to major tax relief provided by a 1980 initiated measure and the 1981 Legislature. First, the initiated oil tax measure enacted by voters included a provision allowing an Energy Cost Relief credit to all individual income taxpayers. The credit enabled taxpayers to subtract up to $100 from their state income tax liability. Second, the 1981 Legislature approved a simplified optional short form filing method (Form 37-S) on which taxpayers multiplied their federal income tax liabilities by 7.5 percent to determine their state income tax liabilities. The standard long form (Form 37) rates were reduced as well. The total effect of these provisions resulted in a significant decrease in individual income tax liabilities for tax years 1981 and 1982, payable in fiscal years 1982 and 1983.

The 1983 Legislature suspended the Energy Cost Relief Credit and temporarily raised the rates on both Form 37 (long form) and Form 37-S (short form), beginning with tax year 1983. These temporary measures were made permanent by the 1985 Legislature.

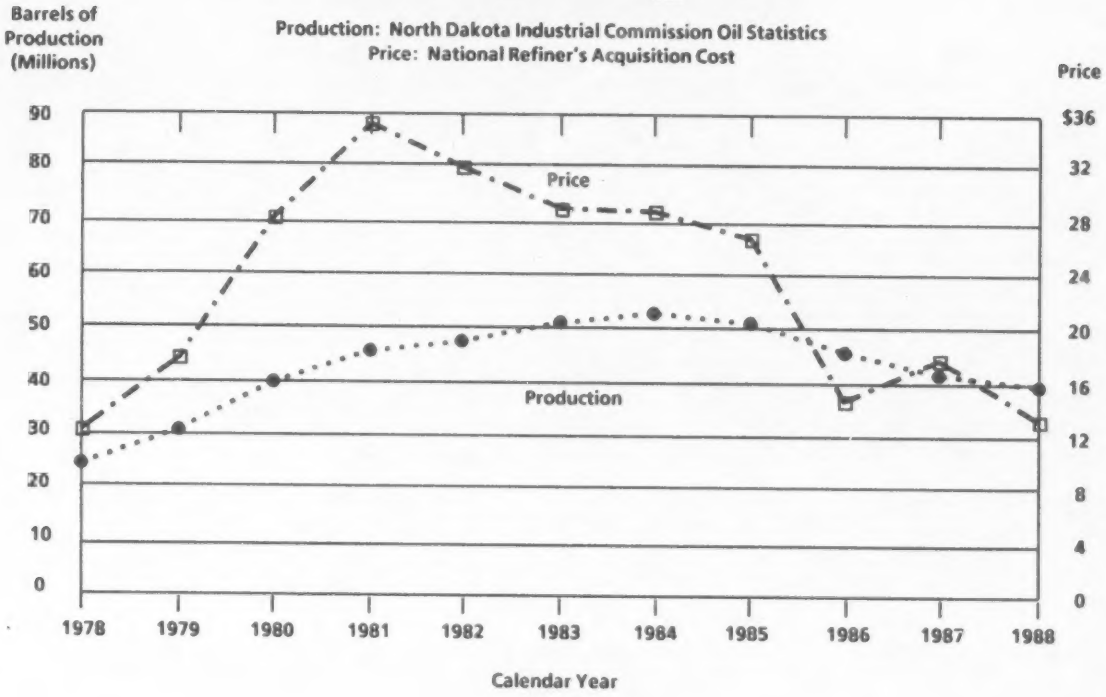
The Special Legislative Session held in December 1986 passed legislation which raised the Form 37-S tax rate from 10.5% to 14% of the adjusted federal income tax liability, raised the Form 37 rates by the same percentage, and provided for general withholding and mandatory declarations of estimated income tax. Therefore, a portion of the individual income tax revenues received after January 1, 1987 are a result of the passage of these provisions

A portion of the FY 88 revenues is due to action by the 1987 Legislative Assembly which enacted a surtax of 10% of the state income tax liability for tax year 1987.

Corporate Income Tax

The increase in collections in FY-1984 and FY-1985 is due to an increase in corporate income, increased audit activity, increased tax rates and a modification to the filing schedule. The tax rates were increased by 50% beginning in tax year 1983. Taxpayers whose estimated tax due can be expected to exceed $5,000 are required to file quarterly estimated tax payments for tax years beginning after December 31, 1983. The one-time positive revenue impact associated with the implementation of the quarterly estimated payment requirement is the primary cause for the significant collection increase in fiscal year 1985.

## ANNUAL CRUDE OIL PRODUCTION IN NORTH DAKOTA AND DOMESTIC OIL PRICE PER BARREL DURING CALENDAR YEARS 1978 TO 1988




## OIL EXTRACTION TAX

The oil extraction tax became effective January 1, 1981, as a result of an initiated measure passed by the citizens of North Dakota. The gross value of oil production at the well, less any part which is specifically exempt, was taxed at a rate of 6.5%.

The 1987 Legislative Assembly changed the oil extraction tax with respect to new wells, secondary and tertiary recovery projects, and low production (stripper) wells. Oil produced from new wells drilled and completed after April 27, 1987 is exempt from the oil extraction tax during the first 15 months following the well's completion. After the 15 month exemption period, the oil produced from the qualifying new well is subject to a reduced oil extraction tax rate of 4%. The 4% tax rate also applies to oil produced from a well in a qualifying secondary or tertiary recovery project. The Legislature expanded the definition of stripper well property to allow more wells to qualify for the stripper well exemption.

Effective July 1, 1987 the oil extraction tax exemption for the private royalty interest was eliminated.

In the 1987-89 biennium, the oil extraction tax revenue was distributed according to a formula which allocated 90% of the revenue to the State General Fund and 10% to the Resources Trust Fund.

## DISTRIBUTION OF OIL EXTRACTION TAX REVENUE 1987-89 BIENNIUM

| | RESOURCES TRUST FUND | GENERAL FUND | PENDING REFUNDS* | TOTAL |
|---|---|---|---|---|
| Fiscal Year 1988 | $3,668,657.17 | $33,282,631.28 | $294,886.81 | $37,246,175.26 |
| Fiscal Year 1989 | 2,721,140.79 | 24,680,067.92 | 54,618.41 | 27,455,827.12 |
| 1987-89 Biennium | $6,389,797.96 | $57,962,699.20 | $349,505.22 | $64,702,002.38 |

* This amount is the revenue from the fiscal year collections held for pending refunds. The actual refunds may be issued beyond the close of the fiscal year.

## NORTH DAKOTA STATE TAX DEPARTMENT
## OIL AND GAS GROSS PRODUCTION TAX REVENUE
## 1987-89 BIENNIUM

| PRODUCING COUNTY | FISCAL YEAR 1988 | FISCAL YEAR 1989 | 1987-89 BIENNIUM |
|---|---|---|---|
| Billings | 7,749,358 | 6,016,596 | 13,765,954 |
| Bottineau | 1,667,472 | 1,617,948 | 3,285,420 |
| Bowman | 981,866 | 909,203 | 1,891,069 |
| Burke | 917,715 | 734,409 | 1,652,124 |
| Divide | 861,159 | 789,023 | 1,650,181 |
| Dunn | 2,378,230 | 1,639,141 | 4,017,371 |
| Golden Valley | 561,521 | 468,780 | 1,030,300 |
| Hettinger | 349 | 302 | 651 |
| McHenry | 27,150 | 26,554 | 53,704 |
| McKenzie | 11,606,195 | 9,856,436 | 21,462,631 |
| Mountrail | 439,230 | 676,302 | 1,115,532 |
| Renville | 1,069,936 | 975,099 | 2,045,034 |
| Slope | 48,754 | 16,237 | 64,990 |
| Stark | 1,168,803 | 825,391 | 1,994,193 |
| Ward | 129,537 | 290,510 | 420,047 |
| Williams | 5,266,982 | 4,360,187 | 9,627,169 |
| SUBTOTAL | 34,874,253 | 29,202,117 | 64,076,370 |
| Penalty & Interest | 376,703 | 184,777 | 561,480 |
| Unallocated | 254,277 | 47,473 | 301,750 |
| **TOTAL REVENUE** | **35,505,233** | **29,434,367** | **64,939,600** |
| DISTRIBUTION * | | | |
| Current Year Revenue | 35,505,233 | 29,434,367 | 64,939,600 |
| Dist. in Following FY | -2,810 | -1,319 | -4,129 |
| Dist. From Prior FY | 2,269 | 2,810 | 5,079 |
| Refunds | -248,494 | -44,360 | -292,854 |
| Available For Distribution | 35,256,197 | 29,391,498 | 64,647,695 |
| State General Fund | 22,736,519 | 17,923,334 | 40,659,853 |
| Counties | 12,519,678 | 11,468,164 | 23,987,842 |

* The distribution to the State General Fund represents the actual gross production revenue received by the State General Fund during each fiscal year of the biennium. The distributions to the counties and the refunds may take place beyond the close of the fiscal year.

Oil and Gas Gross Production Tax

The gross value of oil or gas production at the well, less any part which is specifically exempt, is taxed at a rate of 5% in lieu of property taxes on the well. During the 1987-89 biennium, the tax was remitted to the Tax Commissioner by the purchaser or producer on monthly returns.

One-fifth of the oil and gas gross production tax revenue is distributed to the State General Fund, while four-fifths is distributed between the county in which the oil or gas is produced and the State General Fund according to the following distribution schedule in effect for production during the 1987-89 biennium. The first $1 million each year is distributed 75% to the county and 25% to the General Fund; the second $1 million, 50% to the county, 50% to the General Fund; amounts over $2 million, 25% to the county, 75% to the General Fund. However, the amount that any one county can receive from each fiscal year of production in the 1987-89 biennium is limited according to population as follows: Up to 3,000, no more than $3.9 million; between 3,000 and 6,000, no more than $4.1 million; 6,000 or greater, no more than $4.6 million. When a county reaches its maximum amount allowed, the entire four-fifths share of subsequent revenue from fiscal year production is deposited in the State General Fund. The county allocation is apportioned as follows: 45% to the county general fund, 35% to the school districts within the county, and 20% to the incorporated cities. However, the amount that any school district can receive in any single academic year is limited by a maximum amount based upon the average per pupil costs and the number of students. The amount any city can receive is limited by a maximum based upon a measure of population times $500. Once a city or school district reaches its maximum amount allowed, the excess funds are deposited in the county general fund.

**NORTH DAKOTA STATE TAX DEPARTMENT**
**COAL CONVERSION TAX**
**1987-89 BIENNIUM**

KILOWATT HOURS PRODUCED DURING THE 1987-89 BIENNIUM

| COUNTY | FY 88 | FY 89 |
|---|---|---|
| MCLEAN | 6,719,951,000 | 7,416,412,000 |
| MERCER | 12,137,908,606 | 12,050,586,372 |
| OLIVER | 4,126,679,000 | 4,558,154,000 |
| TOTAL KWH PRODUCED | 22,984,538,606 | 24,025,152,372 |

DISTRIBUTION OF COAL CONVERSION TAX REVENUE – 1987-89 BIENNIUM

| DISTRIBUTION FUND | FY 88 | FY 89 |
|---|---|---|
| COUNTIES | $1,730,971.60 | $2,467,755.78 |
| STATE GENERAL FUND | 8,852,945.92 | 9,260,829.30 |
| TOTAL REVENUE COLLECTED | $10,583,917.52 | $11,728,585.08 |

COAL CONVERSION FACILITIES TAX: Electrical generating plants which use coal and have a single generating unit with the capacity of 120,000 kilowatts or more are subject to the coal conversion facilities tax. During the 1987-89 biennium, electrical generating plants were subject to two conversion tax levies. One levy was .25 mill times 60% of installed capacity times the number of hours in the taxable period. The revenue from this levy was distributed 65% to the state general fund and 35% to the county in which the plant is located. The other levy was .25 mill per kwh of electricity produced for sale. The revenue from this levy was distributed to the state general fund.

Also, subject to the coal conversion facilities tax was the coal gasification plant. The U.S. Department of Energy operated the coal gasification plant from August 1, 1985 through October 31, 1988, during which time the plant was exempt from the coal conversion facilities tax. The plant was purchased by the Dakota Gasification Company, which began taxable production November 1, 1988. The new owners are exempt from the state's share (65%) of the tax for five years from the date of purchase. However, the plant is subject to the county share of the tax (35%) computed as 2.5% of gross receipts, excluding revenues derived from by-products (up to a maximum of 20% of gross receipts) and revenue from synthetic natural gas produced in excess of 110 million cubic feet per day.

**NORTH DAKOTA STATE TAX DEPARTMENT**
**COAL SEVERANCE TAX**
**1987-89 BIENNIUM**

TONNAGES SEVERED DURING THE 1987-89 BIENNIUM

TAXABLE TONS SEVERED:

| COUNTY | FY 88 | FY 89 |
|---|---|---|
| ADAMS | 980 | 13,839 |
| BOWMAN | 1,170,271 | 1,932,781 |
| MCLEAN | 5,628,544 | 6,762,708 |
| MERCER | 14,710,729 | 15,274,197 |
| OLIVER | 5,128,477 | 5,825,736 |
| STARK | 199,020 | 209,305 |
| WILLIAMS | 34,034 | 18,826 |
| TOTAL TAXABLE TONS SEVERED | 26,872,055 | 30,037,392 |
| NONTAXABLE TONS SEVERED: | 195,539 | 232,228 |

DISTRIBUTION OF COAL SEVERANCE TAX REVENUE – 1987-89 BIENNIUM

| DISTRIBUTION FUND | FY 88 | FY 89 |
|---|---|---|
| COUNTIES (35%) | $6,824,476.58 | $7,844,389.58 |
| IMPACT OFFICE * (0%) | 654,736.42 | (1,171.31) |
| LAND BOARD (15%) | 3,035,798.46 | 3,361,379.26 |
| STATE GENERAL FUND (50%) | 9,745,193.02 | 11,205,266.76 |
| LIGNITE RESEARCH (Add'l 2¢ per ton) | 489,812.63 | 597,666.97 |
| REFUNDS | 86,192.50 | 2,677.29 |
| TOTAL REVENUE COLLECTED | $20,836,209.61 | $23,010,208.55 |

* Beginning with revenue received from coal severed on or after July 1, 1987, the Impact Office no longer receives a share of coal severance tax revenue. The FY 88 amount is due to revenues received from coal severed prior to July 1, 1987. The FY 89 negative amount is due to a refund of coal severance tax paid on coal severed prior to July 1, 1987, and later determined to be exempt from coal severance tax.

## NORTH DAKOTA STATE TAX DEPARTMENT
## COAL SEVERANCE TAX

The Coal Severance Tax was enacted by the 1975 North Dakota Legislature. This tax is applied to coal severed from the ground on a rate per ton basis. The 1975 law provided for a 50¢ per ton with an escalator clause that increased the tax 1¢ per ton for each 3 point increase in the Wholesale Price Index. The 1975 law was made effective July 1, 1975.

The revenues collected during the 1975-77 Biennium were distributed according to the following formula:

1. 35% to a special fund to be granted by the Impact Office to impacted political subdivisions.
2. 30% to a special trust fund to be administered by the State Land Board.
3. 5% to coal-producing counties.
4. 30% to the State General Fund.

The 1975 law was replaced with the 1977 law, changing the rate and the distribution formula. The 1977 law, effective July 1, 1977, provided for a 65¢ per ton with an escalator clause that increased the tax 1¢ per ton on a quarterly basis for every one point increase in the Wholesale Price Index.

The 1977 law also changed the distribution of revenues to the following:

1. 35% to a special fund to be granted by the Impact Office to impacted political subdivisions.
2. 15% to a special trust fund to be administered by the State Land Board.
3. 20% to coal-producing counties.
4. 30% to the State General Fund.

The 1977 law was replaced with the 1979 law. The 1979 law, effective July 1, 1979, provided for an 85¢ per ton tax with an escalator that would increase the tax 1¢ per ton on a semi-annual basis for every four point increase in the Wholesale Price Index (now known as the Producer Price Index). The distribution of revenues remained the same.

The 1981 Legislature exempted from the coal severance tax coal used by the state or any of its political subdivisions and coal used for heating buildings within the state. Coal used for heating purposes became subject to the sales tax.

The 1985 Legislature exempted from the coal severance tax coal used in agricultural processing or sugar beet refining plants within North Dakota or adjacent states. Also, the tax rate was reduced by 50% for coal burned in a cogeneration facility designed to use renewable resources to generate 10% or more of its energy output.

The 1987 Legislature amended the coal severance tax law, removing the escalator clause and reducing the tax rate from $1.04 to 75¢ per ton and enacting an additional temporary tax of 2¢ per ton dedicated to lignite research. The 1987 law also changed the distribution of the revenues to the following:

1. 15% to a special trust fund to be administered by the State Land Board.
2. 35% to coal-producing counties.
3. 50% to the State General Fund

## TRANSMISSION LINE TAX COLLECTIONS

| | 1985-87 Biennium | | 1987-89 Biennium | |
|---|---|---|---|---|
| | FY-86 | FY-87 | FY-88 | FY-89 |
| Transmission Line Tax | $415,435.50 | $416,225.25 | $410,258.25 | $410,258.25 |

Collections represent payments made by cooperatives that owned or operated electrical transmission lines of 230 kilovolts or larger. They were taxed at the rate of $225.00 per mile.

SOURCE: Property Tax Division, ND State Tax Department.

## RURAL ELECTRIC COOPERATIVES AND MUTUAL AND COOPERATIVE TELEPHONE COMPANIES

Rural electric cooperatives are nonprofit cooperative corporations engaged in the distribution or transmission of electric energy primarily for consumption in rural areas. Rural electric cooperatives also include those nonprofit cooperative corporations engaged in the generation of electric energy primarily for consumption in rural areas. The electrical energy generating units of such plants are under 100,000 kilowatts of generating capacity. Such plants are taxable pursuant to Chapter 57-33, N.D.C.C.

Rural electric cooperatives are taxed at 1% of their gross receipts each year for the first 5 years and 2% each year thereafter in lieu of taxes on all property except land. The tax of each rural electric cooperative is certified by the Tax Commissioner to the counties for collection and is allocated by the county auditor to the taxing district in which the rural electric line or plant, as the case may be, is located.

Mutual and cooperative telephone companies are taxed at a graduated rate. The tax of each company is certified by the Tax Commissioner to the counties and apportioned to the school districts in which its telephones are located.

TAXES CERTIFIED TO COUNTIES FOR COLLECTION FOR THE YEARS:*

| | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|
| Rural Electric Cooperative | $5,107,447.40 | $5,383,027.42 | $5,471,518.68 | $5,199,723.00 |
| Mutual & Co-op Telephone Co. | 530,488.125 | 540,094.51 | 545,126.69 | 530,375.76 |

* These taxes are certified in the fall of the indicated years and payable in the following year.

SOURCE: Property Tax Division, ND State Tax Department.

## NORTH DAKOTA STATE TAX DEPARTMENT
## BANKS AND BUILDING AND LOAN ASSOCIATIONS TAX
## AND BUSINESS PRIVILEGE TAX

Banks, trust companies, and building or savings and loan associations are subject to taxes totalling 7% of their net income. One tax, the banks and building and loan associations tax, is a 5% tax certified by the Tax Commissioner to the counties for collection. The other tax, the business privilege tax, is a 2% tax collected by the Tax Commissioner and deposited in the State General Fund. These taxes are in lieu of all other state and local taxes except sales and use taxes, motor vehicle excise taxes and real estate taxes.

In computing net income, federal income taxes are deducted. Further, a tax credit is allowed against both the 5% tax and the 2% tax for investments in the Myron G. Nelson Fund, Inc., a state established venture capital corporation. A tax credit is allowed against the 2% tax for contributions to nonprofit private institutions of secondary and higher education.

### BANKS AND BUILDING AND LOAN ASSOCIATIONS TAXES CERTIFIED TO THE COUNTIES FOR THE YEARS: *

| | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|
| Banks | $3,225,732.19 | $3,812,239.22 | $3,538,470.18 | $2,962,514.36 | $3,653,699.95 |
| Building & Loan Associations | 350.00 | 198,067.04 | 1,025,704.00 | 2,867,257.00 | 1,626,131.00 |

* The tax of each bank or building and loan association is certified by the Tax Commissioner to the counties on August 1 of the following year. The taxes must be remitted to the counties by December 31 of the certification year.

SOURCE: Income Tax Division, ND State Tax Department.

### BUSINESS PRIVILEGE TAX COLLECTIONS * *

| 1985-87 Biennium | | 1987-89 Biennium | |
|---|---|---|---|
| FY-86 | FY-87 | FY-88 | FY-89 |
| $2,301,172.86 | $2,570,985.90 | $2,373,384.35 | $1,934,311.30 |

* * Revenues are placed in the State General Fund.

SOURCE: Comparative Statement of Collections, ND State Tax Department.

## CIGARETTE AND TOBACCO PRODUCTS NET TAX COLLECTIONS

| | 1985-87 Biennium | | 1987-89 Biennium | |
|---|---|---|---|---|
| | FY-86 | FY-87 | FY-88 | FY-89 |
| 3¢ per package cigarette tax distributed to cities on population basis | $ 1,924,442.06 | $ 1,816,668.60 | $ 1,697,231.39 | $ 1,625,101.03 |
| 15¢/24¢ per package cigarette tax distributed to State General Fund | $ 9,622,208.13 | $ 9,091,286.38 | $ 14,311,578.17 | $ 13,001,013.14 |
| 11%/20% of the wholesale price of tobacco products distributed to State General Fund | $ 338,916.08 | $ 348,833.06 | $ 626,437.84 | $ 641,194.09 |

The cigarette tax was increased effective July 1, 1987 raising the State General fund tax from 15¢ to 24¢ per package. The wholesale price of tobacco products distributed to the State General Fund was also increased from 11% to 20% effective July 1, 1987. For the sale of larger size cigarette packages the city/state general fund cigarette tax breakdown is as follows: City 3¾¢ and state general fund 30¢.

SOURCE: Comparative Statement of Collections, ND State Tax Department.

## AIRLINE TAX

Operating properties of air transportation companies are assessed by the State Board of Equalization with taxes computed by the Tax Commissioner and certified to the State Treasurer for collection. The taxes upon air transportation companies are allocated by the State Treasurer to the city or municipal airport authority where such company makes regularly scheduled landings according to the ratio that the annual gross landing weight of the company for such city or municipal airport authority bears to the total annual gross landing weight of the company for all cities or municipal airport authorities where it makes regularly scheduled landings; these taxes are to be used exclusively for airport purposes.

TAXES CERTIFIED TO STATE TREASURER FOR THE YEARS:*

| | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|
| Airlines | $55,567.94 | $83,778.86 | $131,352.38 | $167,246.39 |

*Airline assessments of real property are determined by the State Board of Equalization in August of each year. The tax due amounts are computed in the spring of the following year using the average mill rate for cities operating airports served by scheduled airlines. Due to a North Dakota Supreme Court decision, personal property of airlines may not be assessed in assessment year 1982 and the assessment years thereafter.

SOURCE: Property Tax Division, ND State Tax Department.

## SPECIAL FUELS TAX AND MOTOR VEHICLE EXCISE TAX COLLECTIONS, GALLONAGE AND DISBURSEMENTS 1987-89 BIENNIUM

| | FY-1988 | FY-1989 |
|---|---|---|
| **SPECIAL FUELS TAX COLLECTIONS** | | |
| Special Fuels Tax (13¢) | $1,366,102.09 | $88,621.14 |
| Special Fuels Tax (17¢) | 15,338,175.40 | 17,993,059.35 |
| Special Fuels Jet (8¢) | 521,735.36 | 647,619.12 |
| Special Fuels Inventory Floor Tax (4¢) | 15,012.60 | .00 |
| Special Fuels Excise Tax (2%) | 3,952,076.51 | 3,321,409.13 |
| Special Fuels License Fees Collected | 352,979.95 | 255,473.50 |
| Penalty and Interest Collected | 39,831.73 | 31,695.17 |
| Total Collections | $21,585,013.64 | $22,337,877.41 |
| Net Refunds Paid | 1,950,606.73 | 2,546,142.09 |
| Net Special Fuels Tax & Fees | $19,635,306.91 | $19,791,735.32 |
| **GALLONAGE - SPECIAL FUELS** | | |
| Gallons on Which 13¢ Was Paid | 12,005,206.00 | 231,196.00 |
| Gallons on Which 17¢ Was Paid | 89,324,596.00 | 105,527,010.00 |
| Gallons (Jet) on Which 8¢ Was Paid | 6,521,692.00 | 8,118,062.00 |
| Gallons on Which 2% Was Paid | 323,238,017.00 | 288,381,645.00 |
| Gallons on Which Tax Was Refunded | 15,812,554.00 | 18,809,575.00 |
| Total Net Gallons on Which 2%, 17¢, or 13¢ Tax Was Paid | 415,276,957.00 | 383,448,338.00 |
| **SPECIAL FUELS TAX DISBURSEMENTS** | | |
| Earmarked for Refund | $1,904,101.98 | $2,791,540.47 |
| Highway Distribution Fund 2%, 8¢ or 13¢ Tax | 18,330,880.26 | 18,122,736.07 |
| Township Highway Aid Fund, 1¢ | 1,013,298.02 | 1,057,522.22 |
| Aeronautics Commission Construction Fund, 4¢ of Jet Fuel | 169,150.39 | 141,034.23 |
| Aeronautics Commission Special Fund, 8¢ Jet | 168,482.99 | 225,044.42 |
| Total Disbursements | $21,585,913.64 | $22,337,877.41 |
| Cash Bonds (Special Fuels) | 1,500.00 | .00 |
| **MOTOR VEHICLE FUEL TAX COLLECTIONS** | | |
| Motor Vehicle Fuel Tax (13¢) | $4,191,478.45 | $16,850.72 |
| Motor Vehicle Fuel Tax (17¢) | 46,791,323.68 | 50,282,197.62 |
| Aviation Fuel Tax (8¢) | 204,021.01 | 205,273.21 |
| Motor Vehicle Fuel Inventory Floor Tax (4¢) | 84,194.98 | .00 |
| Gasohol Tax, (varied) | 5,128,159.17 | 5,393,764.26 |
| One-Half Cent Tax-Assigned Gallons (Agri Derived Fuel Tax Fund) | 53,039.06 | 42,971.28 |
| 1¢ Tax Assigned Gallons (Township Fund) | 105,706.19 | 85,932.32 |
| Penalty and Interest Collected | 42,109.03 | 28,946.76 |
| Total Collections | $56,600,031.57 | $56,055,936.17 |
| Net Refunds Paid | 3,816,570.68 | 3,734,264.48 |
| Net Motor Vehicle Fuel Tax | $52,783,460.89 | $52,321,671.69 |
| **GALLONAGE - MOTOR VEHICLE FUEL** | | |
| Gallons on Which 13¢ Was Paid | 32,692,222.00 | 14,060.00 |
| Gallons on Which 17¢ Was Paid | 281,612,883.00 | 304,090,981.00 |
| Gallons on Which 8¢ (Avaiation Fuel) Was Paid | 2,595,296.00 | 2,455,014.00 |
| Gallons Sold Gasohol | 41,312,096.00 | 42,132,864.00 |
| Gallons on Which Tax Was Refunded | 30,822,715.00 | 26,560,712.00 |
| Net Gallons on Which Tax Was Paid | 327,389,782.00 | 322,132,207.00 |
| **MOTOR VEHICLE FUEL TAX DISBURSEMENTS** | | |
| Earmarked for Operating | $417,650.00 | $417,650.00 |
| Earmarked for Refunds | 3,909,361.37 | 3,730,000.00 |
| Agri Derived Fuel Tax Fund (One-Half Cent) | 195,496.26 | 163,380.60 |
| Township Highway Aid Fund (1¢) | 3,628,619.15 | 3,520,920.89 |
| Highway Distribution Fund (13¢ varied, Gasohol Tax) | 48,334,468.87 | 48,073,711.47 |
| Aeronautics Commission Special Fund (8¢), (Aviation Fuel) | 51,033.79 | 84,197.70 |
| Aeronautics Commission Construction Fund (4%) (Aviation Fuel) | 63,402.13 | 66,075.51 |
| Total Disbursements | $56,600,031.57 | $56,055,936.17 |

**SPECIAL FUELS AND MOTOR VEHICLE FUEL TAXES**

A per gallon tax is levied on the sale or delivery to a user of all special fuels except those used for heating, agriculture, railroad purposes, or for industrial purposes other than public funded projects. The tax rate was 17¢ per gallon during the 1987-89 biennium. The tax is refundable when used for nonhighway purposes. A tax of 2% is levied on the sale of all special fuels which is exempt from the per gallon tax. The 2% tax is not refundable.

Motor fuel (gasoline) sold to persons other than licensed dealers is taxed at a rate, effective for the 1987-89 biennium, of 17¢ per gallon. This tax is refundable when the fuel is used for agricultural or industrial purposes other than public funded projects. The refunds are reduced by 1¢ per gallon for the Township Highway Aid Fund and one-half cent per gallon for the agriculturally derived fuel tax fund.

The motor fuel and special fuels taxes are administered by the Tax Commissioner. A small part of the fuel tax collections is set aside to pay for administration of the tax and to allow for refunds. The remaining fuel tax collections are transferred to the Highway Tax Distribution Fund and distributed by the State Treasurer.

In the 1987-89 biennium, the tax rate was reduced by 4¢ per gallon for gasoline blended with North Dakota produced ethanol. For gasoline blended with ethanol produced from another state, the rate was reduced by the amount of the tax reduction allowed by the other state if that state allowed a similar credit for North Dakota produced ethanol. The gasohol tax is refunded when used for agricultural purposes. The refunds are reduced by 1¢ per gallon for the Township Highway Aid Fund and one-half cent per gallon for the agriculturally derived fuel tax fund.

## NORTH DAKOTA TAX DEPARTMENT
## ESTATE TAXES ASSESSED *
## 1987-89 BIENNIUM

| | FY - 1988 | | | FY - 1989 | | |
|---|---|---|---|---|---|---|
| | TAX (Chapter 57-37) | TAX (Chapter 57-31.1) | TOTAL TAX State & County * * | TAX (Chapter 57-37) | TAX (Chapter 57-31.1) | TOTAL TAX State & County * * |
| Adams | $.00 | $42,367.39 | $42,367.39 | $.00 | $2,184.00 | $2,184.00 |
| Barnes | .00 | 24,963.67 | 24,963.67 | .00 | 22,168.01 | 22,168.01 |
| Benson | .00 | .00 | .00 | .00 | .00 | .00 |
| Billings | 63.51 | 1,006.81 | 1,070.32 | .00 | 6,174.00 | 6,174.00 |
| Bottineau | .00 | 101,302.28 | 101,302.28 | .00 | 41,147.51 | 41,147.51 |
| Bowman | .00 | 43,526.32 | 43,526.32 | .00 | 9,491.39 | 9,491.39 |
| Burke | .00 | .00 | .00 | .00 | 5,620.85 | 5,620.85 |
| Burleigh | .00 | 38,481.82 | 38,481.82 | .00 | 81,260.22 | 81,260.22 |
| Cass | 128.21 | 314,423.88 | 314,552.09 | 358.00 | 177,460.78 | 177,818.78 |
| Cavalier | .00 | 96,621.12 | 96,621.12 | .00 | 111,686.14 | 111,686.14 |
| Dickey | .00 | 1,986.00 | 1,986.00 | .00 | 13,478.98 | 13,478.98 |
| Divide | .00 | 35,660.84 | 35,660.84 | .00 | 30,931.64 | 30,931.64 |
| Dunn | .00 | 4,510.00 | 4,510.00 | .00 | 28,814.00 | 28,814.00 |
| Eddy | .00 | .00 | .00 | .00 | 17,606.02 | 17,606.02 |
| Emmons | .00 | .00 | .00 | .00 | .00 | .00 |
| Foster | .00 | .00 | .00 | .00 | .00 | .00 |
| Golden Valley | .00 | 1,836.87 | 1,836.87 | .00 | 123.51 | 123.51 |
| Grand Forks | .00 | 15,776.93 | 15,776.93 | 119.30 | 73,829.67 | 73,948.97 |
| Grant | .00 | 23,363.93 | 23,363.93 | .00 | 9.00 | 9.00 |
| Griggs | .00 | 31.00 | 31.00 | .00 | 174.86 | 174.86 |
| Hettinger | .00 | .00 | .00 | .00 | 38,095.00 | 38,095.00 |
| Kidder | .00 | .00 | .00 | .00 | .00 | .00 |
| LaMoure | .00 | 738.80 | 738.80 | .00 | 2,549.00 | 2,549.00 |
| Logan | .00 | .00 | .00 | .00 | 1,264.40 | 1,264.40 |
| McHenry | .00 | 30,831.52 | 30,831.52 | .00 | 1,774.00 | 1,774.00 |
| McIntosh | .00 | 2,004.88 | 2,004.88 | .00 | .00 | .00 |
| McKenzie | .00 | 2,580.98 | 2,580.98 | .00 | 10,110.00 | 10,110.00 |
| McLean | .00 | 642.00 | 642.00 | 117.52 | 7,829.26 | 7,946.78 |
| Mercer | .00 | .00 | .00 | .00 | .00 | .00 |
| Morton | .00 | 3,325.63 | 3,325.63 | .00 | 62,788.02 | 62,788.02 |
| Mountrail | 406.72 | 84.42 | 491.14 | 67.00 | 85,592.36 | 85,659.36 |
| Nelson | .00 | .00 | .00 | 96.00 | 47,961.17 | 48,057.17 |
| Oliver | .00 | 1.25 | 1.25 | .00 | .00 | .00 |
| Pembina | .00 | 134,795.91 | 134,795.91 | .00 | 110,920.27 | 110,920.27 |
| Pierce | .00 | .00 | .00 | 169.50 | 21,762.13 | 21,931.63 |
| Ramsey | .00 | 41,100.00 | 41,100.00 | .00 | 3,551.89 | 3,551.89 |
| Ransom | .00 | 52,192.81 | 52,192.81 | .00 | 76,320.32 | 76,320.32 |
| Renville | .00 | 1,091.69 | 1,091.69 | .00 | 4,111.42 | 4,111.42 |
| Richland | .00 | 153,732.11 | 153,732.11 | .00 | 82,154.08 | 82,154.08 |
| Rolette | .00 | .00 | .00 | .00 | .00 | .00 |
| Sargent | .00 | 1,949.17 | 1,949.17 | .00 | .00 | .00 |
| Sheridan | .00 | .00 | .00 | .00 | .00 | .00 |
| Sioux | .00 | .00 | .00 | .00 | .00 | .00 |
| Slope | .00 | 12,666.00 | 12,666.00 | .00 | 434.94 | 434.94 |
| Stark | .00 | 4,529.77 | 4,529.77 | 236.03 | 105,236.30 | 105,472.33 |
| Steele | 25.77 | 7.36 | 33.13 | .00 | 12,838.80 | 12,838.80 |
| Stutsman | .00 | 3,581.17 | 3,581.17 | .00 | 44,217.60 | 44,217.60 |
| Towner | 454.03 | 59,901.13 | 60,355.16 | 687.40 | 34,573.99 | 35,261.39 |
| Traill | 216.23 | 104,739.99 | 104,956.22 | 77.09 | 37,667.39 | 37,744.48 |
| Walsh | .00 | 6,183.13 | 6,183.13 | .00 | 34,897.53 | 34,897.53 |
| Ward | 170.97 | 24,527.67 | 24,698.64 | 2.01 | 101,816.44 | 101,818.45 |
| Wells | .00 | 1,583.92 | 1,583.92 | 12,098.56 | 17,147.00 | 29,245.56 |
| Williams | 83.60 | 4,963.93 | 5,047.53 | .00 | 33,685.28 | 33,685.28 |
| Miscellaneous | .00 | 2,202.70 | 2,202.70 | .00 | .45 | .45 |
| TOTAL | $1,549.04 | $1,395,816.80 | $1,397,365.84 | $14,028.41 | $1,601,459.62 | $1,615,488.03 |

* The above schedule indicates only the amount of estate taxes determined in the respective counties and does not reflect any subsequent proration between other counties or municipalities.

* * Chapter 57-37 distributes 65% to county and 35% to state. Chapter 57-37.1 distributes 100% to county and cities in the county.

SOURCE: Estate Tax Section, TX-3030 Records, ND State Tax Department.

ESTATE TAX

Property transferred at death, during lifetime in contemplation of death, or in a manner intended to take effect at death is subject the estate tax. North Dakota does not have a separate gift tax law. The estate tax is administered by the State Tax Commissioner and is imposed on the full and fair market value of the estate less exemptions and deductions. It is not imposed on the individual beneficiary.

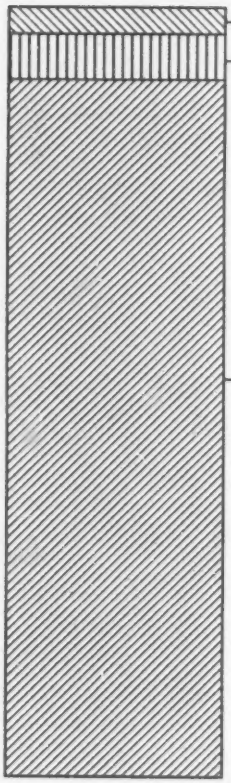
Effective for deaths occuring on or after January 1, 1977, North Dakota adopted the provisions of the Federal Tax Reform Act of 1976. In place of the unified credit, North Dakota adopted a $200,000 exemption and a separate rate schedule.

Effective March 16, 1979, the rate of estate tax shall equal the maximum federal estate tax credit for state death taxes.

Estate tax provisions of the 1981 Economic Recovery Act were adopted by the state effective January 1, 1982.

## NORTH DAKOTA STATE TAX DEPARTMENT
## SOURCES OF GENERAL AD VALOREM PROPERTY TAXES, SPECIAL PROPERTY TAXES AND SPECIAL ASSESSMENTS

### (Levied in 1987 - Payable in 1988)



**SPECIAL PROPERTY TAXES (4.03% of Total)**

| | |
|---|---|
| Telephone (Mutual & Rural) | $ 545,126.65 |
| Mobile Home | 1,822,427.67 |
| REA Co-ops | 5,471,518.80 |
| Bank | 2,962,843.85 |
| Building and Loan Associations | 2,837,192.00 |
| Woodland | 14,331.92 |
| Total | $ 13,653,440.89 |

**UTILITIES (5.93% of Total)**

| | |
|---|---|
| Railroads | $ 2,066,330.86 |
| Telephone | 5,610,393.73 |
| Telegraph | 24,835.36 |
| Electric, Gas, Water & Heat | 5,953,973.57 |
| Pipe Lines | 6,458,296.52 |
| Tax Increments | |
| Total | $ 20,113,830.04 |

**REAL ESTATE (90.04% of Total)***

| | |
|---|---|
| Rural | $ 116,183,431.14 |
| City | 189,049,738.52 |
| Total | $ 305,233,169.66 |

| | |
|---|---|
| GRAND TOTAL (100%) | $ 339,000,440.59 |

*Includes all special assessments.

Source: 1988 Statistical Report, 1987 Property Taxes Levied, 1988 Property valuation, N.D. State Tax Department.

Property Tax

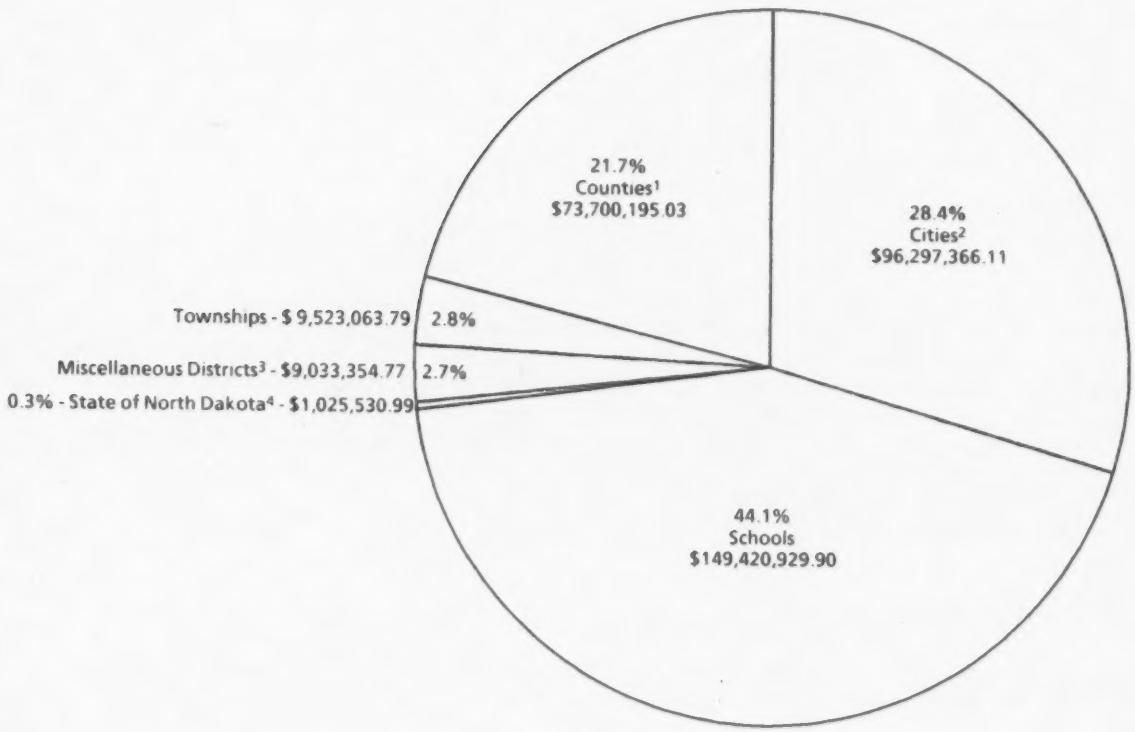
Real property owned by a corporation, partnership, individual, estate or trust is subject to a tax based on its valuation. The property tax, except the tax on the operating property of railroads and other utilities, is assessed and administered locally. The property tax is collected and distributed by the county to the county, cities, townships, school districts, and other taxing districts. The North Dakota Century Code has provided that assessments be at true and full value and that assessed value be computed at 50% of true and full value. Also, true and full value of agricultural property is based upon productivity. Beginning with taxes levied in 1987 (payable in 1988) and thereafter, the assessed value is 50% of true and full value and taxable value will be a percentage of assessed value according to the percentages established by the Legislature for the various classes of property as follows: residential property at 9%, commercial, railroad and airline property at 10%, agricultural property at 10%, and centrally assessed property at 10%.

The assessed valuation of railroad and public utility property is centrally determined by the State Board of Equalization. Mutual or cooperative telephone companies and rural electric cooperatives are subject to a gross receipts tax.

Also, instead of a property tax, large electrical generating plants are subject to a tax on installed capacity and electricity produced for sale through the coal conversion facilities privilege tax. Large cooperative-owned transmission lines are taxed on a per mile basis. The taxes on electrical production and large transmission lines are not included in the above.

## NORTH DAKOTA TAX DEPARTMENT
## DISTRIBUTION OF GENERAL AD VALOREM PROPERTY TAXES, SPECIAL PROPERTY TAXES AND SPECIAL ASSESSMENTS

**(Levied in 1987 - Payable in 1988)**




**GRAND TOTAL - $339,000,440.59**

[1] Including County Park Districts, County Library, County Airport, Unorganized Township

[2] Including City Park Districts and Special Assessments.

[3] Garrison Diversion, Water Management Districts, Rural Fire Districts, Soil Conservation Districts, and All Special Assessments for Rural Districts

[4] Constitutional one mill levy for the medical center at the University of North Dakota.

SOURCE: 1988 Statistical Report, 1987 Property Taxes Levied, 1988 Property Valuation, N.D. State Tax Department.

## NORTH DAKOTA STATE TAX DEPARTMENT
## PROPERTY TAX INFORMATION
## SENIOR CITIZENS AND DISABLED PERSONS PROPERTY TAX REFUNDS AND CREDITS

| Year | Number of Persons Receiving Renter's Refunds | Number of Homeowner's Credits | Homeowner Taxable Value of Property Exempted |
|---|---|---|---|
| 1977 | 1,380 | 8,765 | $ 5,570,440 |
| 1978 | 2,270 | 9,851 | 6,347,442 |
| 1979 | 2,572 | 10,529 | 6,569,192 |
| 1980 | 2,590 | 10,633 | 7,625,711 |
| 1981 | 2,635 | 10,158 | 7,868,922 |
| 1982 | 2,664 | 9,435 | 7,156,134 |
| 1983 | 3,133 | 8,820 | 6,567,286 |
| 1984 | 3,068 | 8,206 | 6,178,404 |
| 1985 | 2,206 | 7,350 | 5,254,539 |
| 1986 | 1,993 | 7,518 | 5,878,944 |
| 1987 | 1,991 | 7,540 | 5,725,073 |
| 1988 | 1,866 | 7,546 | 5,689,142 |

The North Dakota Legislature has provided a homestead property tax credit program since 1969. Persons 65 years of age or older, or totally and permanently disabled, who meet the requirements of the program are eligible to receive a credit to reduce property taxes on their home. Qualified renters receive a partial refund of their rent. Since 1977 the maximum income eligibility limit has been adjusted by the Legislature as follows: from $8,000 to $9,000 in 1979, to $10,000 in 1981 and to $12,000 in 1985.

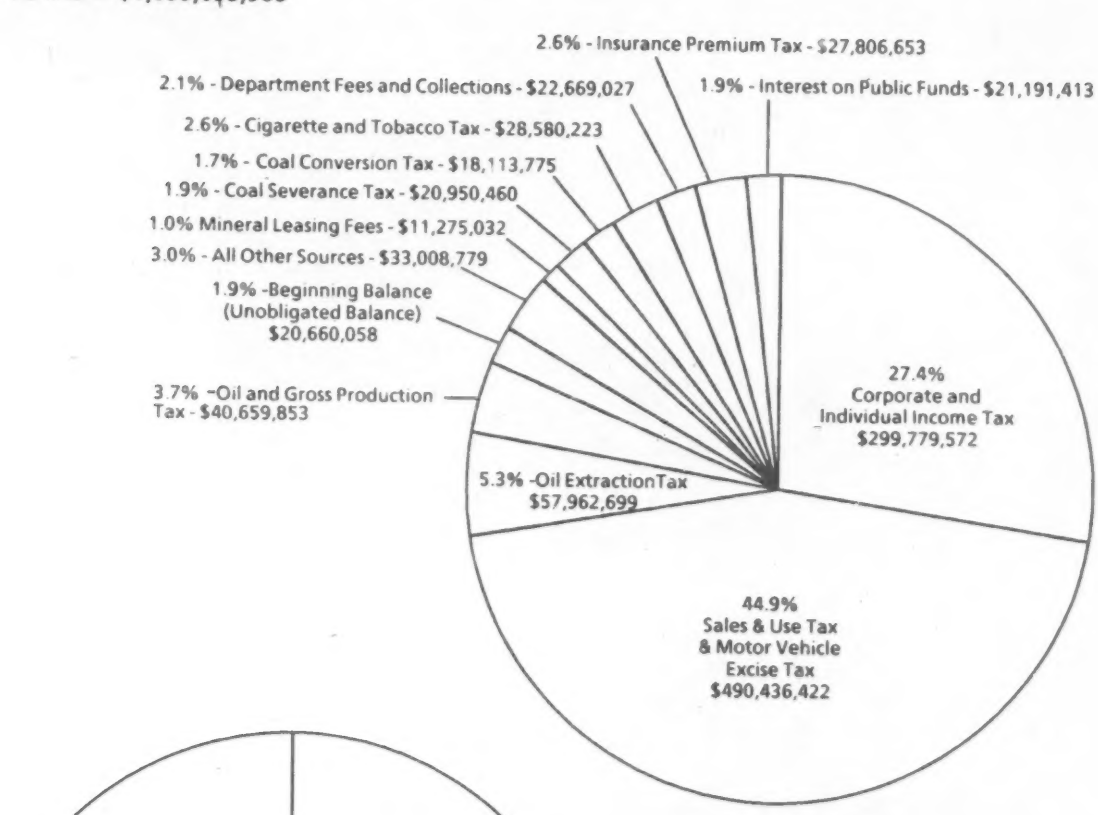
The credit for eligible homeowners is a reduction in the taxable value of the homestead as determined by the following schedule:

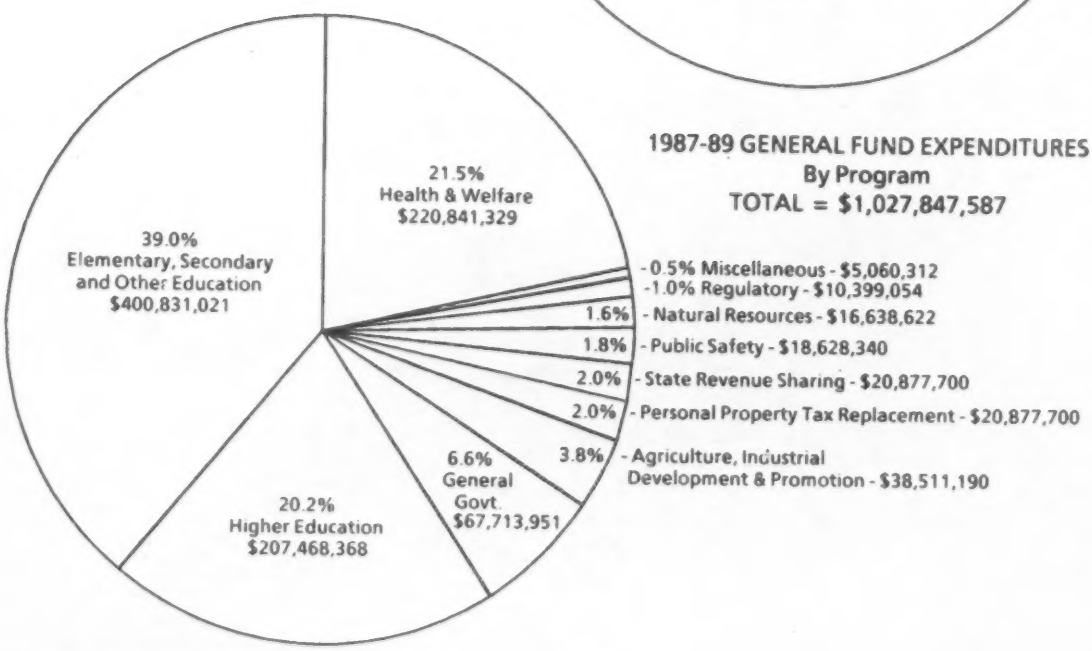
**For Taxes Levied in 1987 and 1988 (Payable in 1988 and 1989)**

| Income of | Reduction | Maximum Reduction |
|---|---|---|
| $ 0 – $ 6,000 | 100% | $2,000 |
| $ 6,001 – $ 7,500 | 80% | 1,600 |
| $ 7,501 – $ 9,000 | 60% | 1,200 |
| $ 9,001 – $10,500 | 40% | 800 |
| $10,501 – $12,000 | 20% | 400 |

Eligible renters will receive a refund for overpayment of rent when 20% of their total annual rent exceeds 4% of their total annual income. Charges for such services as heat, lights and furniture must be excluded when determining the annual rent payment for the purposes of renter's refund. The maximum refund allowable to a renter is $210.

## STATE GENERAL FUND REVENUES AND EXPENDITURES IN THE 1987-89 BIENNIUM


1987-89 GENERAL FUND
REVENUE SOURCES
TOTAL = $1,093,093,966
2.6% - Insurance Premium Tax - $27,806,653
1.9% - Interest on Public Funds - $21,191,413
2.1% - Department Fees and Collections - $22,669,027
2.6% - Cigarette and Tobacco Tax - $28,580,223
1.7% - Coal Conversion Tax - $18,113,775
1.9% - Coal Severance Tax - $20,950,460
1.0% Mineral Leasing Fees - $11,275,032
3.0% - All Other Sources - $33,008,779
1.9% -Beginning Balance (Unobligated Balance) $20,660,058
3.7% -Oil and Gross Production Tax - $40,659,853
5.3% -Oil Extraction Tax $57,962,699
27.4% Corporate and Individual Income Tax $299,779,572
44.9% Sales & Use Tax & Motor Vehicle Excise Tax $490,436,422


1987-89 GENERAL FUND EXPENDITURES
By Program
TOTAL = $1,027,847,587
21.5% Health & Welfare $220,841,329
39.0% Elementary, Secondary and Other Education $400,831,021
20.2% Higher Education $207,468,368
6.6% General Govt. $67,713,951
3.8% - Agriculture, Industrial Development & Promotion - $38,511,190
2.0% - Personal Property Tax Replacement - $20,877,700
2.0% - State Revenue Sharing - $20,877,700
1.8% - Public Safety - $18,628,340
1.6% - Natural Resources - $16,638,622
-1.0% Regulatory - $10,399,054
-0.5% Miscellaneous - $5,060,312

SOURCE: Report on the status of the General Fund at the close of the 1987-89 Biennium, Office of Management and Budget, September, 1989.

## NORTH DAKOTA STATE TAX DEPARTMENT
## STATEMENT OF EXPENDITURES
## 1987-89 BIENNIUM

| | Commissioner's Division | Legal Division | Controller's Division | Sales & Special Taxes Division | Income & Oil Taxes Division | Property & Utility Taxes Division | Homestead Credit Admin. | Multistate Tax Comm. | State Board of Equalization | City Sales Tax | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Salaries and Wages | | | | | | | | | | | |
| FY 88 | $698,889.81 | $232,270.12 | $707,891.19 | $1,036,234.06 | $1,201,657.79 | $170,657.40 | $4,544.24 | $.00 | $16,332.96 | $.00 | $4,068,477.57 |
| FY 89 | 637,129.06 | 242,039.58 | 711,211.88 | 1,051,456.63 | 1,180,359.18 | 173,061.68 | .00 | .00 | 16,488.35 | 8,875.62 | 4,020,621.98 |
| Data Processing | | | | | | | | | | | |
| FY 88 | 150,286.74 | .00 | 78,700.72 | 95,505.00 | 234,979.52 | 2,273.80 | .00 | .00 | .00 | 17,202.19 | 578,947.97 |
| FY 89 | 117,645.49 | .00 | 191,813.24 | 80,563.62 | 263,463.49 | 3,472.38 | .00 | .00 | .00 | 13,329.37 | 670,287.59 |
| Operating Expenses | | | | | | | | | | | |
| FY 88 | 61,739.42 | 22,471.55 | 303,575.02 | 150,026.43 | 252,803.74 | 18,717.71 | 1,567.18 | 81,048.89 | 978.43 | 122.00 | 893,050.37 |
| FY 89 | 60,505.53 | 43,956.02 | 337,388.41 | 157,357.52 | 254,634.68 | 8,775.09 | 341.79 | 92,394.23 | 1,025.71 | 1,646.59 | 958,025.57 |
| Equipment | | | | | | | | | | | |
| FY 88 | 674.11 | .00 | 4,302.83 | 1,483.22 | 12,026.62 | .00 | .00 | .00 | .00 | .00 | 18,486.78 |
| FY 89 | 2,402.80 | 370.80 | 1,976.20 | 11,630.80 | 9,076.60 | 121.80 | .00 | .00 | .00 | .00 | 25,579.00 |
| TOTAL | | | | | | | | | | | |
| FY 88 | $911,590.08 | $254,741.67 | $1,094,469.76 | $1,283,248.71 | $1,701,467.67 | $191,648.91 | $6,111.42 | $81,048.89 | $17,311.39 | $17,324.19 | $5,558,962.69 |
| FY 89 | $817,682.88 | $286,366.40 | $1,242,389.73 | $1,301,008.57 | $1,707,533.95 | $185,430.95 | $341.79 | $92,394.23 | $17,514.06 | $23,851.58 | $5,674,514.14 |
| **TOTAL 87-89** | **$1,729,272.96** | **$541,108.07** | **$2,336,859.49** | **$2,584,257.28** | **$3,409,001.62** | **$377,079.86** | **$6,453.21** | **$173,443.12** | **$34,825.45** | **$41,175.77** | **$11,233,476.83** |

Source: Comparative Statement of Disbursements for fiscal years ended June 30, 1988 and June 30, 1989, Controller's Division, North Dakota State Tax Department.

## RESOURCES AVAILABLE FROM THE NORTH DAKOTA STATE TAX DEPARTMENT

### COMMISSIONER'S DIVISION

Biennial Report of the Tax Commissioner
North Dakota: Where Taxes Work for People
North Dakota Tax Incentives for Business Brochure
Special Reports and Analysis on North Dakota's Tax Structure
State and Local Taxes in North Dakota: An Overview and Comparative Guide

### INCOME AND OIL TAXES DIVISION

Banks, Trust Companies and Building and Loan Assocations Tax Law (Loose-leaf manual)
Guidelines
Income Tax Law and Rules (Loose-leaf manual)
Oil and Gas Tax Law and Rules
Practitioner's Newsletter (issued periodically to report developments, law changes, etc.)
Withholding Information for Employers

### PROPERTY TAX DIVISION

Assessor's Education Program Brochure
Assessor's Home Study Manuals
Assessor's Manual
Geothermal, Solar, or Wind Energy Devices Brochure
Proceedings of the State Board of Equalization
Property Tax Credit for Senior Citizens or Disabled Persons Brochure
Property Tax Exemption for Improvements to Residential or Commercial Buildings or Structures Brochure
Property Tax Statistical Report
Property Taxation Manual
Property Tax Newsletter

### SALES AND SPECIAL TAXES DIVISION

Estate Tax Law, Rules and Regulations
Guidelines
Motor Vehicle Fuel Tax Newsletter
Sales and Use Tax Law, Rules and Regulations
Sales and Use Tax Quarterly Newsletter
Sales and Use Tax Statistical Report
Special Fuels Tax, Motor Fuel Tax and Aviation Fuel Tax Laws; Administrative Rules

For a copy of these materials or to obtain North Dakota tax forms, write: North Dakota Tax Department, State Capitol, 600 E. Boulevard Ave., Bismarck, ND 58505-0599.